



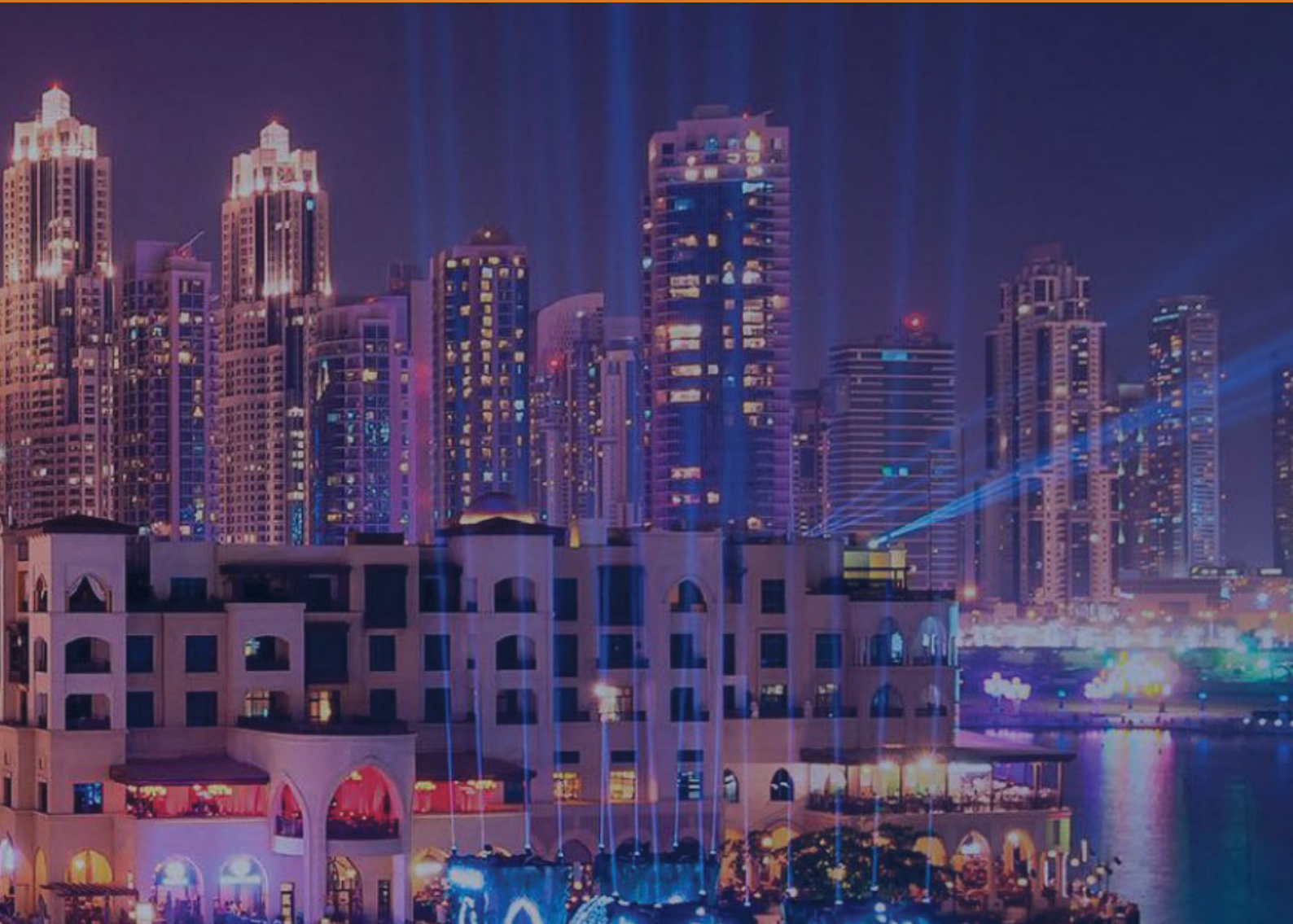
ANNUAL REPORT 2018

Urbanise.com Limited
ABN 70 095 768 086



URBANISING THE **WORLD**

www.urbanise.com







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EXECUTIVE CHAIRMAN OVERVIEW

Dear Shareholder

Urbanise delivered an exceptional year of revenue growth and customer success.

While there is reason for optimism going into FY19, the last twelve months have been defining in the company's development and future. A fundamental and widespread business review which included a re-assessment of the carrying value of assets, product strategy, the organisation structure and operational strategy led to changes at Board and Management level.

On 28 February 2018 the board announced the sale of the IOT business and a cost reduction plan. The sale of the IOT business and the implementation of the cost reduction plan was completed in Q4 and the company now focusses on products with demonstrated growth potential while it has dramatically scaled back the cost base.

This review has led to a write down in the carrying value of assets, changes in the organisation structure to improve accountability, review of product strategies and priorities and the review of market strategies including an assessment of target geographies and go to market approach.

Urbanise has built its capabilities and strategy around cloud-based SaaS (software as a service) which aims to grow recurring revenue. Before FY2017, the business was too reliant on one-off revenues that have had limited impact in growing recurring revenue. There is now a clear focus on growing the recurring revenue base. Contracted recurring revenue grew strongly in FY2018 and will continue to grow strongly as PICA and other contracts are migrated during FY2019.

I am confident that the changes implemented in the second half of the 2018 financial year, together with the management capability, will drive substantial improvements in operational performance in the next twelve months and beyond.

Governance and Leadership

Urbanise remains committed to the highest standards of corporate governance, with accountability and transparency being key guiding principles in all business activities conducted. As is outlined in more detail in the corporate governance report on our website, the company fully supports the governance principles contained in the ASX Listings Requirements.

Financial Performance

The financial results for the twelve months ending June 2018 reflect strong revenue growth, and a write down of the carrying value of assets to properly represent the position of the business.

The Group delivered revenues and other income of \$6.5 million (\$7.0 million before accounting for a credit note of \$0.5 million relating to a regional operator licence (ROL) recognised in the 2016 financial year). Sales revenue increased by 17% (28% before accounting for reversal of the ROL of \$0.5m) and Sales revenue and other income increased by 29% (40% before accounting for reversal of the ROL of \$0.5m).

The reported net loss after tax of \$27.6 million (2017: \$36.3 million loss) was driven by several factors including:

- The reversal of the revenue for the ROL recognised in the 2016 financial year;
- The impairment of intangible and tangible assets and inventory;
- The continued investment in new product features, improving existing products and developing new products;
- Lower capitalisation of employee cost;
- A shortfall in revenue due to a longer than anticipated sales cycle of the software platforms;
- Underperformance of reseller and partner networks;
- Implementation delay as clients wait for the new release of the Strata product; and
- Cost incurred due to the restructure in Q4.

Board and Management

During the 2018 financial year, the following changes occurred in the Board and Management team:

- Ben Churchill resigned from the Board on 7 September 2017
- Henry Arundel joined the Company as CEO and was appointed to the Board on 7 September 2017
- David Burlington resigned from the Board in January 2018
- Tony Scotton, Henry Arundel and Robert Cumming resigned from the Board and Management team in April 2018
- Gary Bugden and Pierre Goosen joined the Board in April 2018
- Almero Strauss appointed as the Executive Chairman in April 2018

The changes in management were implemented alongside an assessment of short to medium term market and product opportunities. It was clear from this assessment that the APAC region will continue to provide the majority of opportunities in the foreseeable future. The Board has approved an executive remuneration structure that includes Short Term Cash Incentives (STI) and Long-Term Share based Incentives (LTI) for the Management team. The structure will ensure that management is rewarded to deliver increased shareholder value and the Company has the capability of attracting and retaining talented executives into the future.

Capital Management

Urbanise continued investment in staff and operational infrastructure in existing geographies to position for significant growth with large client opportunities, and to build scale. In addition, the company continued its significant investment into product development and systems to support customers in each geography. These initiatives are cash intensive and required the injection of additional capital in FY2018.

On 28 November 2017 Urbanise completed a fully underwritten rights issue of 176,943,850 shares at an issue price of 4 cents per share, raising funds of \$7,077,754. The rights issue closed with 103,715,686 shares issued to existing shareholders and 73,228,164 to the underwriters, Argosy Capital Limited and KTM Capital Limited. Argosy Capital Limited increased their shareholding to 33.74% following the rights issue.

On 29 August 2018 Urbanise announced a fully underwritten non-renounceable 3.5 to 1 rights issue of 151,666,157 shares at an issue price of 2.7 cents per share, raising funds of \$4,094,986 before costs. The proceeds of this capital raising will be applied to complete the first phase of the Strata renewal, develop new features and applications for all products and fund the operations of the Group for the next year.

At 30 June 2018, Urbanise had a net cash position of \$3.1 million, with no external debt or borrowings.

Product Strategy

Urbanise is a leading provider of industry specific cloud-based (SaaS) software platforms designed and developed for the Strata, Facilities Management and Insurance industries. While the long-term strategy is to fully integrate these platforms, each product/platform stands alone in terms of market opportunity and will be developed independently in the short term.

At its core, the **Urbanise Strata Platform** is a management, communication and accounting platform used by professional property managers, strata managers and developers. To ensure it remains the leading strata platform in the market, several enhancements to the platform have been implemented since its acquisition in 2015. Notwithstanding these enhancements, the platform is old technology and a major redevelopment of the platform has been initiated.

The **Urbanise Facilities Management Platform** is a cloud (SaaS) System that helps facilities and property managers manage budgets, planned work, reactive work, sub-contractors, and self-delivery staff with an efficient and streamlined process. This year has seen the platform expand out of its traditional base in the Middle East with significant customers in South Africa, Asia, Australia and New Zealand.

The product strategy has focused on big data analytics and data visualisation, with Urbanise creating a best in class product. The coming year will see the enhancements of the entire platform with machine learning and artificial intelligence.

The **Urbanise Utilities Platform** is Urbanise's third cloud (SaaS) platform which provides strata, building and property managers the ability to effectively manage, measure and control the on-billing of utilities to residents and tenants. Through automated meter reading and the management of smart meter networks (electricity and water), the platform delivers accurate and up-to-date consumption data, billing information and different payment channels to residents and tenants, via a mobile app. Additional value is provided to property managers through up-to-date management reporting and dashboards, and the ability to tap into potential utility resell opportunities, where available. To date the main customer base has been in South Africa, with expansion to ANZ and MENA primary markets currently underway.

Urbanise eCommerce is the Urbanise B2C consumer offering which is enabled through the selling of 3rd party services and products to residents and tenants, through an eCommerce storefront. By partnering with service providers, we can now offer a range of services and products to consumers through a simple and easy-to-use web portal. A richer integration (medium-term roadmap) of the three core offerings will enable us to provide a much richer, "one-stop-shop" experience for all property related services to consumers, through a single and easy-to-use mobile and web portal interface.

Outlook

Urbanise will continue to focus on delivering continued growth in its recurring revenue over the next 18 - 24 months. Contracted recurring revenue is expected to increase significantly through growth of the Australian strata market, market share gains in the Australian and South African facilities management market and greater penetration of Analytics and Utilities. The growth will be delivered within the core business and markets, while we continue to develop and improve our products. We will do this maintaining our agile culture and environment, developing and enabling our staff to create and deliver exceptional products for our clients while executing our strategy.

The Board believes that the strategic initiatives undertaken over the last year positions the Company well to deliver increased shareholder value over the medium to long term. Clear strategies are in place which, under the direction of sound leadership, ensure that the Company is well poised for future success.

Appreciation

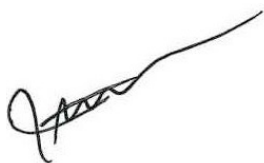
On behalf of the Board, I would like to thank:

- our shareholders for their support and confidence in the future of the Group;
- our customers for their continued loyal support;
- the senior executive team members for their skilled and professional management;
- all our employees for their excellent performance, commitment and hard work during the year;
- our suppliers, advisors and business associates for their contribution to the growth of the business;
- Tony Scotton and Rob Cumming for their contribution to the development of the Company; and
- my fellow Directors for their insight, guidance and valuable input.

Conclusion

Urbanise is well positioned for substantial improvements in operational performance and sustained growth. It has the right people, products, strategy, opportunities and commitment to our customers to deliver on our strategy through disciplined execution.

On behalf of the Urbanise Board, thank you for your continued support.



Almero Strauss
Executive Chairman



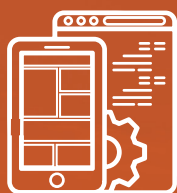
THE URBANISE PLATFORM

AN INTEGRATED PLATFORM FOR THE STRATA,
COMMERCIAL AND FACILITIES MANAGEMENT
INDUSTRIES



COMMUNITY

Community portals and apps that help residents collaborate and connect



FACILITIES

Track Work, Assign
Jobs and Report
Performance



UTILITIES

Automated utilities
management, reporting
and billing for residential
and commercial
properties



STRATA

The Most
Comprehensive
Strata Management
Software
in the Cloud



ANALYTICS

Urbanise can offer clients a Data Warehouse-as-a-Service ("DWaaS")



URBANISING THE WORLD

**Our cloud software helps you manage
strata, facilities and utilities smarter.
All on one beautiful, simple platform.**

Today, over 500,000 properties and locations are managed smarter and more efficiently using the Urbanise platform. Our cloud software is used to expand and enhance the range and quality of services provided to buildings and communities by connecting managers with customers and suppliers, helping to create more livable communities.



Accounting and Management tools plus building websites and mobile apps on one beautiful connected platform

The **Urbanise Strata platform** is used to manage apartment buildings, strata commercial towers and large housing communities. The system is cloud-based and integrates management, communication and accounting functions all on one integrated platform. Strata owners and residents can stay informed and connected via our community portal and mobile apps.

Today, over 300,000 lots are managed more intelligently on the **Urbanise Strata platform**.

Features for Managers. Work smarter on the go.



Ledger Accounting



Extensive Reporting



Powerful Invoicing



Meeting Management



Communication Tools



Document Management



Procurement



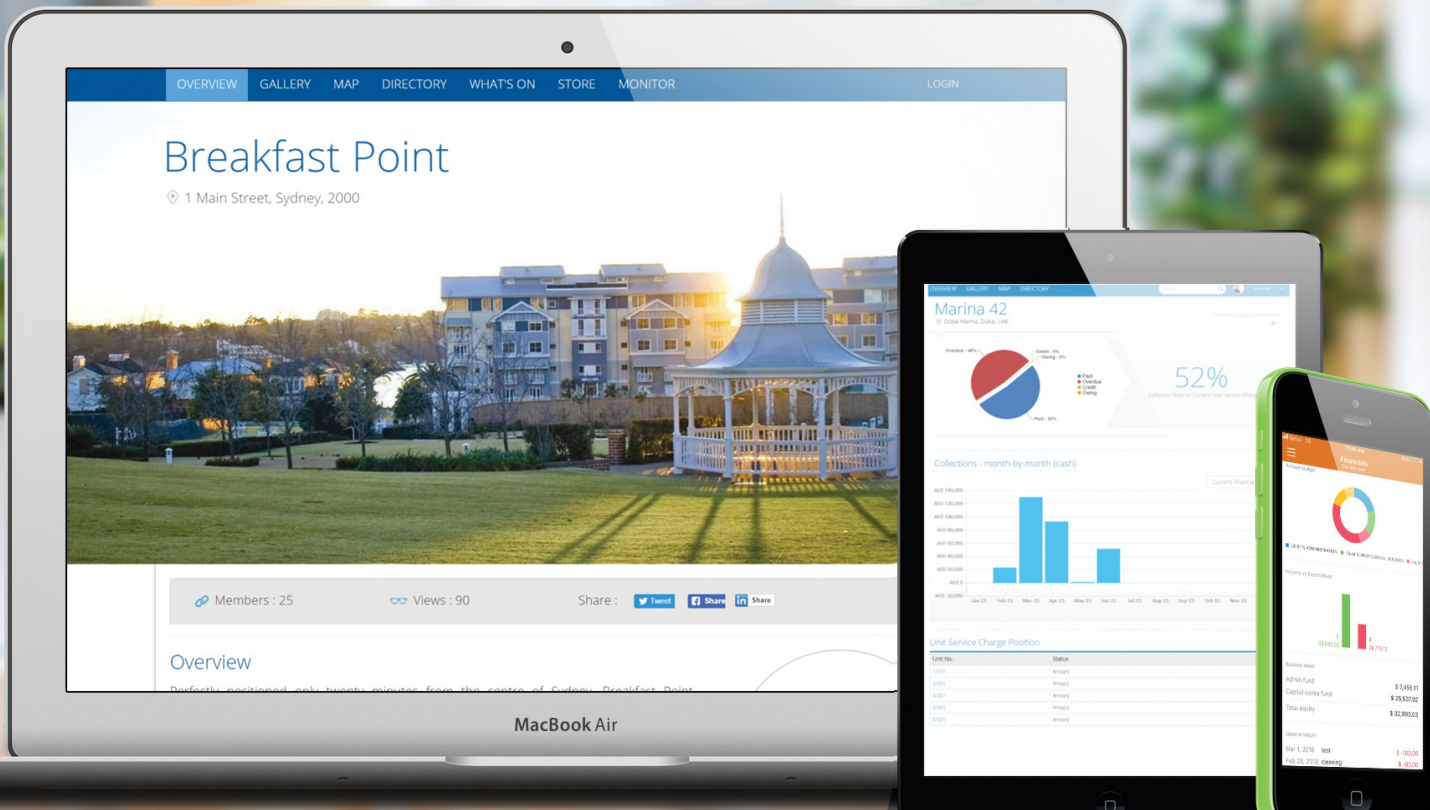
Budgeting



QuickAP



Serious Security



Self-Service Management via building websites and Community apps

Every building that is managed on the **Urbanise platform** receives a customisable web site and a secure portal for use by committee members, owners and residents where they can access information and tools in a self-service capacity. This system is called **Urbanise Community** which is available as both a web and mobile app. The system also has some powerful marketing and communication tools for strata managers, such as a maintenance ticketing system, SMS, Lobby screen system and a digital notice board.

Today, over 1/4 million strata owners and residents access **Urbanise Community** every day to view their property information online and interact with their fellow residents and strata manager.

Community App features. A better way to work together.



Building Web Sites



Members-only Section



Real-time Financials



Online Approvals



Levy Statements



Service Requests



Document Library



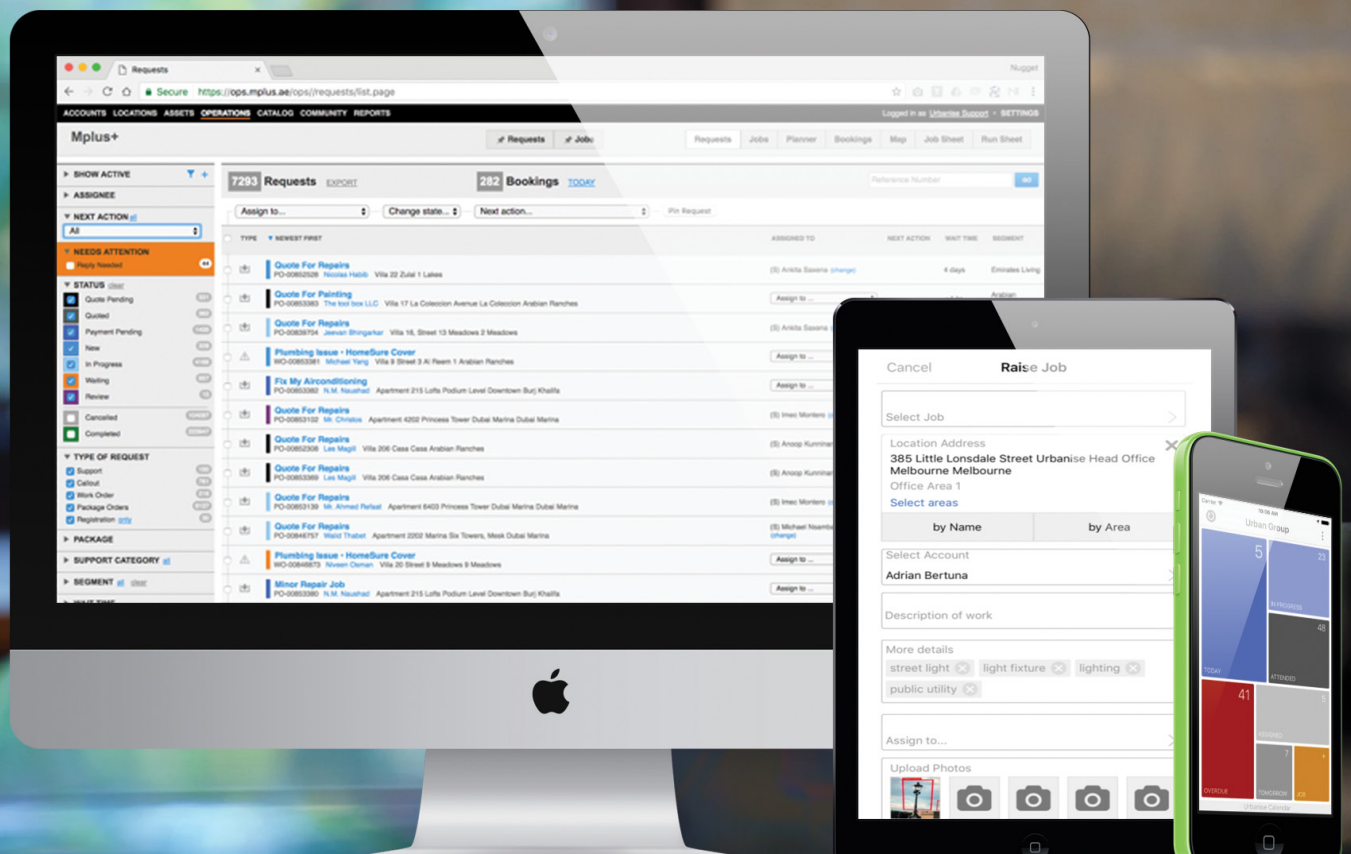
Communication Tools



Your Look. Your Feel.



Serious Security



Innovative Facilities Management in the Cloud

The **Urbanise Facilities platform** is used to manage infrastructure, buildings, housing estates and local government. The system is cloud-based and completely integrates facilities, assets and workforce management into a single platform. Urbanise have also harnessed the power of AI and machine learning to help automate daily tasks which helps deliver efficiencies and improved service.

Today's buildings need smart management — our **Facilities Management platform** slashes paperwork and gives you unprecedented clarity over your operations.

Features for FM Managers & Service Providers. Automate Workflow.



Contact Centre



Asset Management



Job Scheduling



Workforce Management



Supplier Compliance



E-Services Storefront



Analytics



Customer Management



Serious Security



Leading Utilities Management Software in the Cloud

The **Urbanise Utilities platform** is a software-as-a-service (SaaS) micro-utility solution for the residential and commercial property markets. By combining the benefits provided by today's cloud and smart metering technologies, we've built a world-class platform which provides a proven solution for automating the labour-intensive tasks associated with utility meter reading, managing utility metered networks and collecting utility income from tenants and residents.

We empower metering companies, utility operators and divisions, as well as property managers to efficiently implement, maintain and manage embedded utility networks for their customers.

Features for Utility Operators



Revenue Collection



Advanced Tariff Engine



Utility Meter Network Management



Analytics & Reporting



Communication Tools



Move-in, Move-out



eServices Storefront



Serious Security

APPLICATION PROGRAMMING INTERFACE (API)

“Building a connected industry”

Modern cloud solutions like Xero.com, Google and Salesforce have led the way in opening up their platforms to other 3rd party software vendors. The technology used to do this is called “Application Programming Interface” or “API’s”. Urbanise have recently developed a suite of publicly available API’s that allows 3rd party systems to connect to our platform and share data and processes.

Public Urbanise API's

Home

- ▼ Strata Management
- ▼ IoT Monitoring
- ▼ Service Delivery

Our home, for API's.

Application Programming Interface ("API")

As an Urbanise customer you may be able to access certain data within your platform instance via one of our published API's. Should you be provided with access to one of our API's, this is where you'll find the documentation to help get you started.

Most API's provided by Urbanise are RESTful and return JSON (however sometimes we also return XML).

Use the navigation on the left to locate the API you're interested in.

```
{ json:api }
```

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This concept of open software architecture is not new, but it is new to the strata management industry. In fact, the strata industry is far from connected from a technology perspective because the strata software vendors have “closed shop”. Urbanise has taken a different approach and this is best demonstrated by our work with the **PICA Group**.

While the Urbanise Strata platform sits at the core of PICA's operations, PICA uses other systems that complement our offering. These include **Salesforce** for business development and marketing, **Alfresco** for Document Management and **Intellidox** for document templates. By accessing Urbanise's public Strata API, PICA can access in real-time important building, lot and customer data required to use these systems.





Urbanise is also working with some of the leading service providers in the strata industry to connect our platform to theirs. This includes **Kelly & Partners** (auditing & tax), **Bing** (external mail-house), **BCB Insurance Brokers** & **CHU Insurance** (insurance & claims), and **Macquarie Bank** (banking & payments).

Urbanise recently announced a 3-year partnership with **Strata Vote**, Australia's leading meeting and electronic voting platform. Strata Vote is deeply integrated into the new Urbanise Strata platform via API's. This partnership has allowed us to deliver leading, domain-specific meeting functionality to our strata clients, with little development effort and cost.

STRATAVOTE

The benefits of this connected software approach are significant for both Urbanise and our clients.

By seamlessly connecting systems, strata managers can save time on administration work while data collection and data management becomes more accurate. Strata managers can also continue to use best-of-breed applications along with their core strata platform. For Urbanise, the benefits include a quicker time to market for new features, lower development costs and additional collaboration opportunities with software vendors.

ADNOC CASE STUDY



Abu Dhabi National Oil Company (ADNOC) in the UAE adopted the Urbanise solution for Ruweis Industrial City in early 2018. Ruweis is an Industrial City first established in 1981 and has since been expanded by further phases of development. It now houses over 7,500 residential and commercial units, with the number of residences growing to around 10,000 units with the completion of Phase 4A, planned for late 2018.

Ruweis City is a community of some 25,000 people, 250km west of the UAE's capital Abu Dhabi, and serves the energy sector and industrial operations in the Western Region of the UAE's capital.

Ruweis City is owned by ADNOC and managed by Ruweis City Unit (RCU). RCU has been providing housing and facility management to the city using an in-house (legacy) solution built in the 80's.

Urbanise, working with lead partner Blackstone eIT, is in the process of implementing the Urbanise Community portal for residents, providing ability to provide information, manage a single consolidated address list and enable service requests, complaints, and access to community news, announcements and other social feeds.

The Urbanise service platform (for facilities management) will enable RCU to deliver advanced Maintenance Management services through multiple third-party contracts, driving

efficiencies and service improvements through means of real-time visibility of:

- Asset history and lifecycle management
- Job status/cost
- Job completion reports
- Attainment of SLA/KPI measures for internal and external teams
- Realtime embedding BI analytics
- Pre-integrated mobility solution
- Contact management for third party suppliers with realtime KPI metric dashboards
- Inventory management solution
- Auditing and Survey management for condition and risk assessment
- Asset capturing mechanisms with tracking through predefined mobile surveys
- Data cleansing tools for bulk master data changes
- CRM Helpdesk

The final component, to be implemented in late 2018/ early 2019, is the Urbanise eService solution which will provide residents and businesses within the City access to online services. This will not only improve speed and efficiency of delivery, but also deliver savings in back-office service delivery with the capability to fulfill requests dynamically, all while keeping the customer updated via email and a web portal.

RUWAIS RESIDENTIAL CITY IMPLEMENTING THE **URBANISE** **PLATFORM** IN 2018



7,500

Residential &
Commercial Units

Ruwais City
is a Community of
People around



Residences
growing to around

10,000

units with the
completion of
Phase 4A

25,000



The ADNOC vision for Ruwais is a truly Smart City vision, with **Urbanise technology** representing one of the key enablers for the significant transformation of City operations over the coming years.

REASONS FOR CHOOSING **URBANISE**:



Cost



**Speed of delivery/
implementation**



**Flexibility to customize
without additional
consultancy services**



**Comprehensive
product offering**



**Real-time visibility
of all operations**



Evidence based



**Future Proof SAAS
solution**



**Public API capability
for ERP integration**

SIMILAN CASE STUDY

Similan is a property developer, owner and manager in South Africa providing turn-key innovative solutions and services across the entire property lifecycle. They operate a number of projects in partnership with one of Old Mutual's property funds. Old Mutual plc is an international investment, savings, insurance and banking group with more than GBP394.9 billion assets under management. As a business partner of the Old Mutual property fund, Similan is responsible for the development, maintenance and management of a number of multi-tenant residential buildings and complexes for the rental market. Being passionate about improving and changing the way people live, Similan engaged Urbanise in 2017 to provide innovative technology for the provision and billing of utilities (hot & cold water and electricity) and rent to the tenants of their sustainable development project, Urbika Estate, in South Africa.

By incorporating solar technology and centralised hot water generation, Similan was able to build a sustainable energy solution for the Urbika Estate and required a solution through which Similan could manage connections, disconnections and invoices for electricity, hot and cold water services to the tenants of the property. The Urbanise Utilities platform was a perfect match providing a comprehensive micro-utility solution by incorporating smart meters for each of the three utilities, including a

new automated shut-off mechanism for the hot water meters. The advanced tariff engine in the Utilities platform enabled Similan to also tap into the various resell margins which is available to resellers of electricity in the South African market, automating the end-to-end billing process from meter reading through to revenue collection. Using a similar principle as a pre-paid mobile data subscription, the platform's Smart Wallet feature now enables Similan to collect rent as well as utilities revenue, reducing the risk of tenants going into arrears on their bills.

With the integrated Utilities & Facilities solutions, Similan now has a comprehensive technology platform which not only makes them more efficient, but also enables them to unlock additional revenue streams for their business.

"The property management industry has up to now been very slow in adopting new technology. During the conceptualisation and implementation of the integrated Utilities and Facilities management solution, the Urbanise team and the Urbanise utilities platform was pivotal. We believe the solution will assist us to shape the future of property management in South Africa."

- Harold Spies (Similan, CEO)





The **Urbanise Utilities platform** provided the perfect solution by incorporating **smart meters** for each of the three utilities, including a new automated shut-off mechanism for the hot water meters. The **advanced tariff engine** in the **Urbanise Utilities platform** enabled Similan to tap into the resell margin which is available to resellers of electricity in the South African market, automating the end-to-end **billing process from meter reading** through to **revenue and rent collection**, using the platform's **Smart Wallet** feature.

FY18 HIGHLIGHTS



Pro-forma
Sales up by

28%

Reported sales
revenue up

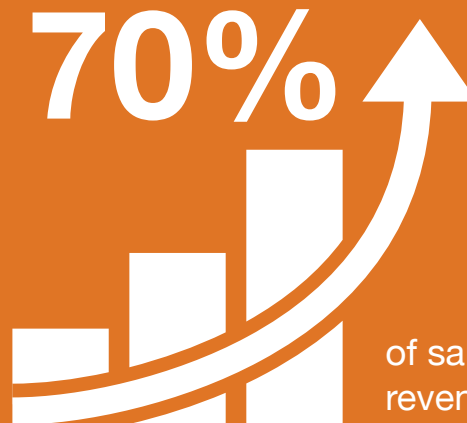
17%

(This include a \$541k adjustment relating
to revenue recognized in FY2016)



Recurring revenue almost

70%



of sales
revenue

300,000

Strata active lots

Additional

220,000+

lots in migration pipeline
for FY19



Extensive
cost reduction completed



Facilities
Licencing Revenue up

38%

Facilities
New Contracts won
in this year

16



2,102

Utilities
Meter Points

More than

500,000

Building and Locations

More than

250,000

Community Users



~350

Strata Customers



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DIRECTORS' REPORT

The Directors of Urbanise.com Limited (Urbanise) present their report together with the consolidated annual financial report of the Company for the year ended 30 June 2018 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards and International Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Information on Directors and Company Secretary

Almero Strauss

Executive Chairman (appointed as Director on 8 February 2017 and Executive Chairman on 3 April 2018)

Almero joined the board of Urbanise on 8 February 2017 and was appointed Executive Chairman on 3 April 2018. Almero is a director and an executive member of the Mergon Group's investment team since 2008. Mergon is a private investment group that was founded in 1980. From a single, start-up business, Mergon has grown a diversified investment portfolio with significant interests in companies in the technology, commercial property, financial services, fintech, renewable energy, mining and logistics industries.

Almero represents Mergon on the Board of Infotech, one of South Africa's oldest technology companies.

Almero also represents Mergon on the Boards of Mobile Data (develop and manages TradeSwitch®, a virtual product distribution platform), Renewable Energy Holdings (the foremost independent developer and long-term investor in the hydropower sector in South Africa) and Merteck Marine (a world leader in the recovery, dismantling and recycling of out-of service deep sea telecommunication cables).

Having initially qualified and worked as an electronic engineer, Almero obtained pre and postgraduate accountancy qualifications from the University of Cape Town before launching his career in strategy and management consulting. During his career Almero has worked with leading international firms Bain & Company and Deloitte in South Africa and the USA. Almero was a founding member of Decipher Consulting, a South African niche consulting firm, where he was an executive director of the business. Almero is a member of the Audit and Risk Committee.

Russell Bate OAM

Non-Executive Director

With more than 35 years in the IT industry, Russell held senior management positions in both hardware and software companies, retiring from full time employment in 2002 as Vice President Product Sales Operations – Asia Pacific for the US multinational Sun Microsystems ("Sun"). He was responsible for direct sales operations in Sun's Asia Pacific region, an area that included Australasia, China, the Indian sub-continent, Japan and Korea. Russell joined Sun in 1992 and was appointed Australasian Managing Director in 1994. He managed the Australasian operation through five years of record growth. In 2000 Russell was awarded Sun's prestigious Leadership Award and was elected to Sun's Leadership Council and was promoted to the position of Vice President – Product Sales Operations for Asia Pacific and became the first Australian to be made a Vice President at Sun. Since his retirement Russell has retained a close association with the technology industry. Russell is a former board member and past Chair of Musica Viva Australia, Australian Distributed Incubator, CR X Pty. Ltd. and Field and Game Australia and was a board member of the Australian Broadcasting Corporation and the Australian Information Industry Association.

Russell is Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Gary Bugden OAM

Non-Executive Director (appointed 3 April 2018)

Gary is a specialist strata titles lawyer and former partner and National Board member of international law firm, Mallesons Stephen Jaques (now King & Wood Mallesons). He has been an independent director of a number of real estate development and investment companies, including Australian subsidiaries of the Malaysian listed Selangor Properties Berhad. He served as Deputy Chancellor of Bond University for 6 years and was a member of its Audit and Risk Management Committee.

Gary successfully started up companies in Australia and overseas with strata related businesses including management, technology, development consulting and records inspection (due diligence). A number of these companies are still prominent in the strata title business landscapes. Mystrata Pty Ltd, acquired by Urbanise in 2015, was one of those companies.

Gary has written 3 loose-leaf services on strata law and 4 books on strata management, all published by

CCH Australia Limited. He has been a regular speaker at strata related conferences in Australia and overseas. With a depth of knowledge and experience in the strata sector, Gary is sought out as a consultant by numerous Governments in Australia, Asia, Pacific region, Middle East and Europe. He has a deep knowledge of the strata title management sector in Australia and the overseas countries in which Urbanise operates.

Gary is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Pierre Goosen
Non-Executive Director (appointed 3 April 2018)

Pierre is the managing director of Argosy Capital, a European based private equity and venture capital business and is also an independent advisor to the Mergon Group investment committee. Pierre is an admitted attorney in South Africa and solicitor in England and Wales. Pierre has significant professional experience as a commercial, private equity and funds lawyer at pre-eminent international law firms, having negotiated a variety of significant transactions with complicated investor and shareholder dynamics.

Pierre is based on the Isle of Man and serves as a director on a number of boards of private and listed companies in which Argosy is an investor. Pierre is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Anthony Scotton
Chairman

(resigned 3 April 2018)

Directors' meetings

The number of Directors' meetings (including meetings of Board Committees) and the number of meetings attended by each of the Directors of the Company held during the financial year are detailed in the following table:

Name	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Almero Strauss	10	10	5	5	2	2
Russell Bate	10	10	5	5	2	2
David Burlington	5	5	5	5	1	2*
Henry Arundel	7	8*	-	1*	-	2*
Robert Cumming	6	8*	-	1*	-	-
Anthony Scotton	8	8	5	5	2	2
Pierre Goosen	2	2	1	1	1	1
Gary Bugden	2	2	1	1	1	1

*Attended by invitation

Henry Arundel
Executive Director

(appointed as CEO on 21 August 2017 and Executive Director on 7 September 2017) (resigned 3 April 2018)

Benjamin Churchill
Non-Executive Director

(resigned 7 September 2017)

Robert Gordon Cumming
Chief Product Officer

(resigned 3 April 2018)

David Bruce Burlington
Non-Executive Director

(resigned 22 January 2018)

Company secretary

Kim Clarke held the position of Company Secretary of Urbanise.com Limited at the end of the financial year. Kim is an experienced business professional with 23 years' experience in the Banking and Finance industries and 8 years as a Company Secretary of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Kim currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom's Queensland office.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Urbanise Office
Russell Bate	nil	Non-Executive Director
Gary Bugden	nil	Non-Executive Director
Pierre Goosen	nil	Non-Executive Director
Almero Strauss	nil	Executive Chairman

Principal activities

Urbanise is a leading provider of industry specific cloud-based software platforms designed and developed for the Strata, Facilities Management, Utilities and Insurance industries.

Review of Operations

The Group continued investment in staff and operational infrastructure in existing geographies to position for significant growth with large client opportunities, and to build scale. In addition, the Group continued its significant investment into product development, processes and systems to support customers in each geography.

The strategy continued to be successful in the Australian, Middle Eastern and South African markets where considerable investment was made in the improvement and localisation of Urbanise's platforms to continue support for client contracts.

The Group maintained its existing footprint in Australia, South Africa and the UAE. The offshore software development team in Bulgaria was reduced with the sale of the Devices business while the small satellite office in Singapore was closed.

Global Headcount reduced from 123 to 68 in line with the sale of the devices business and the rationalisation program announced on 9 March 2018. Under the plan:

- the staffing levels across all levels of the business have been reviewed and right sized, including the executive team to better align its personnel cost to the forecasted revenue and development requirements;
- divest the cash draining Devices (IoT) business;
- rationalising occupancy cost in Dubai and Singapore;
- rightsizing and optimising IT spend; and,
- minimising discretionary spend for non-business critical activities.

Capital Raising

On 28 November 2017 Urbanise completed a fully underwritten rights issue of 176,943,850 shares at an issue price of 4 cents per share, raising funds of \$7,077,754. The rights issue closed with 103,715,686 shares issued to existing shareholders and 73,228,164 to the underwriters, Argosy Capital Limited and KTM Capital Limited. Argosy Capital Limited increased their shareholding to 33.74% following the rights issue.

On 29 August 2018 Urbanise announced a fully underwritten non-renounceable 3.5 to 1 rights issue of 151,666,157 shares at an issue price of 2.7 cents per share, raising funds of \$4,094,986 before costs. The proceeds of this capital raising will be applied to complete the first phase of the Strata renewal, develop new features and applications for all products and fund the operations of the Group for the next year.

Financial performance

The Group delivered revenues and other income of \$6.5 million (\$7.0 million before accounting for a credit note of \$0.5 million relating to a regional operator licence (ROL) recognised in the 2016 financial year). Sales revenue increased by 17% (**28%** before accounting for reversal of the ROL of \$0.5m) and Sales revenue and other income increased by 29% (**40%** before accounting for reversal of the ROL of \$0.5m).

The reported net loss after tax of \$27.6 million (2017: 36.3 million loss) was driven by several factors including:

- the continued investment in new product features, improving existing products and developing new products;
- lower capitalisation of employee cost;
- a shortfall in revenue due to a longer than anticipated sales cycle of the software platforms;
- under performance of reseller and partner networks;
- implementation delay as clients wait for the new release of the Strata product; and
- cost incurred due to the restructure in Q4.

Capital and financial structure

At 30 June 2018 Urbanise had a net cash position of \$3.1 million with no external debt or borrowings.

Business strategies and prospects

Urbanise will continue to focus on growing its recurring revenue over the next twelve months. Contracted revenue is expected to increase significantly through continued growth of the Australian strata market, market share gains in the Australian facilities management market and greater penetration of the Urbanise Analytics and Urbanise Utilities platforms.

The Board believes that the strategic initiatives undertaken over the last year positions the Group well to deliver increased shareholder value over the medium to long term. Clear strategies are in place which, under the direction of sound leadership, ensure that the Group is well poised for future success.

In the coming financial year, Urbanise will continue to build on its solid foundation:

- Implemented expense rationalisation programs and a renewed focus on the core Urbanise product set during Q4 FY18 significantly reduced cash outflow with a full year impact in FY 2019;
- Sales of the devices business reduced the cost base significantly;
- The Strata renewal and improvement program now ready for deployment in Q2 of FY 2019 with further enhancement continuously being deployed;
- Full year impact of the new Urbanise Analytics platform deployed during FY 2018 and further building on the success of the first year;
- Focus on the further deployment of the Urbanise Utilities platform following the success of the Similan implementation in FY 2018
- Leadership team focused on sales strategy to target short term and recurring revenue opportunities; and
- Monitor the cashflow impact of the cost reduction program and new sales.

Leveraging Recent Successes

The recent contract wins in Australia, Middle East and South Africa are examples of rollouts which will capture large sections of the residential and commercial value chains. Urbanise's delivery models are readily transferrable across the Group's current global footprint and beyond.

Investment in Research and Development

Urbanise will continue to invest in product development to enhance existing solutions, expand the number of features and applications provided and develop new solutions. Urbanise is focussed on continuous improvement which includes offering customers upgrades designed to enable our customers to benefit from ongoing innovations.

Build scale

Urbanise has invested in operations in the Australasia, Middle East and South African regions, and will continue to grow scale in these regions while some of the development function remain in Bulgaria. Further geographic expansion will occur only after critical mass has been achieved in the current geographies.

Significant changes in the state of affairs

Urbanise sold its Devices (IoT) business effective 1 April 2018. The sales price was \$436,711 of which \$350,000 was paid in cash and \$86,711 payable in cash, 12 months from the effective date. The assets in this business unit was fully impaired at 30 June 2017. As part of the agreement, Urbanise's customers will have continued access to the IOT solutions. The sale reduced ongoing operational expenditures and removed the large capex associated with the development and manufacturing of new devices.

Subsequent events

On 29 August 2018 Urbanise announced a fully underwritten non-renounceable rights issue of 151,666,157 shares at an issue price of 2.7 cents per share, raising funds of \$4,094,986 before costs.

Other than as already noted in the financial statements, there have been no significant subsequent events in the affairs of the Group at the date of this report.

Environmental regulations

The Group's operations are not subject to any significant environmental regulation under Commonwealth or State regulations or laws.

Dividends

No dividends have been paid or declared since the start of the financial year.

Likely developments

The Group will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Ordinary shares, options and performance rights

At the date of this report, the following table sets out the Directors' relevant interests in shares, options and performance rights of the Group as at 30 June 2018. The issuing entity of each share and option is Urbanise.com Limited.

Shares and options

Each option when exercised entitles the holder to one ordinary share.

Directors and other key management personnel	Number of fully paid ordinary shares	Number of performance rights	Number of Options
Directors			
Russell Bate	1,394,954	750,000	-
Gary Bugden ⁽ⁱ⁾	10,517,640	-	-
Pierre Goosen ⁽ⁱⁱ⁾	179,077,032	-	-
Almero Strauss	1,610,000	-	-

⁽ⁱ⁾Includes all direct, indirect or associated party ownership.

⁽ⁱⁱ⁾Shares held by Argosy Capital limited on 3 April 2018 (date appointed). Pierre is the Managing Director of Argosy.

During the financial year there were 550,000 share options (2017: nil) granted and forfeited to officers of the Group as part of their remuneration.

Share Options

Share options issued during the year are disclosed under shares under option or issued on exercise of options below. There were 550,000 share options issued to and forfeited by Directors during or since financial year end 30 June 2018.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at 30 June 2018:

Issuing entity	Date options granted	Number of shares under option	Class of shares	Issue price of options	Expiry date of options
Urbanise.com Limited	11 December 2013	2,000,000	Ordinary	\$0.20	31 December 2018
Urbanise.com Limited	11 December 2013	2,000,000	Ordinary	\$0.20	31 December 2018
Urbanise.com Limited	11 December 2013	2,000,000	Ordinary	\$0.20	31 December 2018
Urbanise.com Limited	6 June 2014	3,000,000	Ordinary	\$0.19	6 June 2019
Urbanise.com Limited	4 August 2014	400,000	Ordinary	\$0.19	4 August 2019
Urbanise.com Limited	7 August 2014	5,426,405	Ordinary	\$0.19	31 August 2019
Urbanise.com Limited	10 December 2014	100,000	Ordinary	\$0.75	16 December 2019
Urbanise.com Limited	1 May 2015	200,000	Ordinary	\$1.25	31 December 2018
Urbanise.com Limited	15 December 2015	145,000	Ordinary	\$0.69	15 December 2020
Urbanise.com Limited	29 April 2017	100,000	Ordinary	\$0.40	29 April 2021
Total number of shares under option		15,371,405			

There were no shares or interests issued during or since the end of the financial year (2017: Nil) as a result of exercise of an option.

Performance Rights

Details of performance rights as at 30 June 2018 (2017: Nil):

Grant Date		Expiry Date	Exercise Price	Balance at end of year
29/09/17	(i)a	30/6/18	\$0.00	1,346,875
29/09/17	(i)b	30/6/19	\$0.00	1,346,875
29/09/17	(ii)a	30/6/18	\$0.00	834,158
21/11/17	(ii)a	30/6/18	\$0.00	250,000
29/09/17	(ii)b	30/6/19	\$0.00	834,167
21/11/17	(ii)b	30/6/19	\$0.00	250,000
29/09/17	(ii)c	30/6/20	\$0.00	834,175
21/11/17	(ii)c	30/6/20	\$0.00	250,000
Total				5,946,250

(i) Vesting condition: Share price

- Tranche 1 – The Share Price of the Company's shares is to be greater than 20 cents per share (based upon the Volume Weighted Average Price of shares for the last 5 days of trading prior to 30 June 2018).
- Tranche 2 – The Share Price of the Company's shares is to be greater than 30 cents per share (based upon the Volume Weighted Average Price of shares for the last 5 days of trading prior to 30 June 2019).

In the event that the Performance Criteria applicable to Tranche 1 Performance Rights are not met, the Tranche may vest subject to achievement of the Tranche 2 Performance Criteria.

(ii) Vesting condition: Revenue

- Tranche 1 – The Group to report revenue of greater than \$12,000,000 in the financial year ending 30 June 2018.
- Tranche 2 – The Group to report revenue of greater than \$15,000,000 in the financial year ending 30 June 2019.
- Tranche 3 – The Group to report revenue of greater than \$17,000,000 in the financial year ending 30 June 2020.

In the event that the Performance Criteria applicable to Tranche 1 and Tranche 2 Performance Rights are not achieved, the Tranches may vest subject to achievement of the Tranche 2 or Tranche 3 Performance Criteria.

Indemnification of officers and auditors

The Group has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Group), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Group has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined below.

	2018	2017
Amounts paid and payable to EY (2017: Pitcher Partners) for non-audit services	\$	\$
Assurance related	50,000	5,000
Taxation compliance	12,500	23,100
Total non-audit services of auditors	62,500	28,100

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- (i) all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- (ii) the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of *Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Urbanise or any of its related entities, acting as an advocate for Urbanise or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Urbanise or any of its related entities.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the Group

The Group has not applied for leave of court to bring any proceedings on its behalf.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the Directors' report, sets out information regarding the remuneration of the Urbanise key management personnel for the financial year ended 30 June 2018.

The term 'key management personnel' is used in this remuneration report to refer to those persons having authority and responsibility for planning, directing and controlling the activities of Urbanise. Except as noted, the named key management personnel held their current position for the whole of the financial year and at the date of this report.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel details;
- Principles of remuneration and key terms of service agreements;
- Relationship between the remuneration policy and Group performance; and
- Remuneration of key management personnel.

Details of key management personnel (KMP)

Non-Executive Directors

- Russell Bate (Non-Executive Director)
- Gary Bugden (Non-Executive Director – appointed 3 April 2018)
- David Burlington (Non-Executive Director – resigned 22 January 2018)
- Pierre Goosen (Non-Executive Director – appointed 3 April 2018)
- Anthony Scotton (Chairman – resigned 3 April 2018)

Executive Directors

- Almero Strauss (Non-Executive Director – appointed 8 February 2017) (Executive Chairman - appointed 3 April 2018)
- Henry Arundel (Chief Executive Officer – appointed 21 August 2017, appointed Executive Director 7 September 2017 and resigned 3 April 2018)
- Benjamin Churchill (Non-Executive Director – resigned 7 September 2017)
- Robert Cumming (Chief Product Officer) - resigned 3 April 2018

Executives

- David Bugden (Chief Commercial Officer – Strata)
- Saurabh Jain (Chief Commercial Officer – Facilities & Analytics - appointed 9 August 2018)
- Vivienne Selzer (Chief Financial Officer – appointed 1 May 2017)

- Heinrich Venter (Head of Convergent Solutions – appointed 1 April 2017)

Executives were appointed to the Senior Leadership Team (SLT) with effect 1 July 2017. Saurabh Jain commenced 9 August 2017. There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Principles of remuneration and key terms of service agreements

The Board policy for determining the nature and amount of key management personnel remuneration is agreed by the Board of Directors after review, approval and recommendation by the Remuneration and Nomination Committee.

The board or the Remuneration and Nomination Committee may engage external consultants to provide independent advice where it considers it appropriate to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance Group performance through their contributions and leadership. During the year ended 30 June 2018 neither the board nor the committee engaged any external consultants.

Compensation levels and structures for key management of the Group are competitively set to attract and retain appropriately qualified and experienced people, and to reward the achievement of strategic objectives and achieve the broader outcome of protecting and enhancing shareholder value. The compensation structure is designed to account for the capability and experience of key management and the ability of key management to control areas of their respective responsibilities.

The principles used to determine the nature and amount of remuneration are as follows:

Alignment to shareholder interests:

- Level of achieved net profit and key operational criteria;
- Controllable financial drivers of the businesses including revenues, cash, earnings per share, and capital management;
- Business and operational drivers of the business including sales, market growth, expense management; and
- Remuneration is set at a level to attract and retain high calibre executives.

Alignment to the key management interests:

- i. Appropriate rewards for capability and experience;
- ii. Clear policies for earning rewards; and
- iii. Recognition for contribution.

The framework provides a mix of fixed pay and variable at risk incentives and a blend of short and long-term incentives. In relation to long-term incentives, as executive's contribution and term with Urbanise increase they can be rewarded by gaining exposure to growth in the value of the Group through access to the Employee Share Option Plan.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee which provides recommendations to the Board on remuneration and incentive policies and practices. The Committee provides specific recommendations on remuneration packages and other terms of employment for Executive Directors, Executives and Non-Executive Directors. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Senior Executives on a periodic basis by reference to relevant employment market conditions with an overall objective of the retention of a high-quality Board and Executive team.

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the appropriate calibre.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting. As previously approved by shareholders, the approved maximum aggregate annual remuneration of Non-Executive Directors is currently \$250,000.

The amount of aggregate remuneration and the way it is apportioned amongst Directors is reviewed annually. The Board can access independent advice and industry benchmarks on fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. During the year no independent advice was obtained, however reference was made to public information. Russell Bate, Gary Bugden and Pierre Goosen have entered into letters of appointment with Urbanise.com Limited with no fixed term.

The Board consider their composition to be appropriate for the needs of the Group in its current operating environment.

Executive remuneration arrangements

For executives, the Group provides a remuneration package that incorporates both cash-based remuneration and share based remuneration. The contracts for service

between the Group and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning executive and shareholder interests.

Fixed Remuneration

The level of fixed remuneration is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Short-Term Incentive (STI)

The objective of the STI program is to link the achievement of personal Key Performance Indicators (KPI's) and the Group's annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient reward to the executive for exceeding the operational targets and at such a level that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depend on the extent to which specific personal Key Performance Indicators (KPI's) and annual operational targets set at the beginning of the financial year are met or exceeded. The targets are set by the Remuneration and Nomination Committee or the Executive Chairman. STI rewards are assessed annually and are usually paid in cash.

Long-Term Incentive (LTI)

Long-term incentives are provided to certain employees through the issuance of options and performance rights. The options and performance rights are designed to provide incentives for employees to deliver long-term shareholder returns.

Performance rights are usually issued for no consideration and are granted in accordance with the Group's Employee Share Option Plan (ESOP). The performance rights vest over a 2 to 3-year period dependent on certain financial and market performance measures. These include the Group achieving revenue targets, other financial targets or share price levels as set by the Board.

Options are issued for a specified period and are convertible into ordinary shares. The exercise price of the options is determined by the Board having regard to the market price of a share on invitation date, grant date, or another specified date and desirable performance hurdles that are aligned with shareholder interests. The issue of options is not linked to performance conditions as the option price is set at a level above the share price at the time the options are granted, it provides the incentive for management to improve the Group's performance.

All options and performance rights expire on the earlier of their expiry date or three months after termination of the employee's employment subject to Directors' discretion. Options and performance rights do not vest until all vesting or performance criteria set at granting have been met in

accordance with the terms and conditions of the ESOP. There are no voting or dividend rights attached to the options or performance rights. Voting rights will attach to the ordinary shares when the options or performance

rights have been exercised. Unvested options and performance rights cannot be transferred and will not be quoted on the ASX.

Executive Contractual Arrangements

The Group has entered into service agreements with the following key management personnel:

<p>Almero Strauss Executive Chairman</p>	<p>Contract of Employment Almero is contracted by Urbanise.com Limited as Executive Chairman. Almero joined the Board of Urbanise.com Limited in February 2017 and was appointed as Executive Chairman on 3 April 2018. His current fee is \$60,000 per annum. Almero entered into a letter of appointment with Urbanise.com Limited as Executive Chairman with no fixed term. He may be terminated in accordance with the constitution, the ASX Listing Rules and the Corporations Act.</p>
<p>David Bugden Chief Commercial Officer – Strata</p>	<p>Contract of Employment David is employed by Urbanise.com Limited as a permanent, full-time employee. David commenced with Urbanise in March 2010 after the acquisition of Mystrata (Pty) Limited. His current base salary is \$285,000 per annum, inclusive of superannuation. He has a notice period of 3 months.</p> <p>Performance Conditions The contract provides for a STI of up to 25% of his base salary inclusive of superannuation, which is payable in cash upon meeting pre-defined KPI's and financial targets. 70% of the STI is awarded on meeting the financial targets and 30% on meeting the pre-defined KPI's.</p>
<p>Saurabh Jain Chief Commercial Officer – Facilities & Analytics</p>	<p>Contract of Employment Saurabh is employed by Urbanise.com Limited as a permanent, full-time employee. Saurabh commenced with Urbanise in August 2017. His current base salary is \$272,500 per annum, inclusive of superannuation. He has a notice period of 3 months.</p> <p>Performance Conditions The contract provides for a STI of up to 25% of his base salary inclusive of superannuation, which is payable in cash upon meeting pre-defined KPI's and financial targets. 70% of the STI is awarded on meeting the financial targets and 30% on meeting the pre-defined KPI's.</p>
<p>Vivienne Selzer Chief Financial Officer</p>	<p>Contract of Employment Vivienne is employed by Urbanise.com Limited as a permanent, full-time employee. Vivienne commenced with Urbanise in May 2017. His current base salary is \$270,000 per annum, inclusive of superannuation. He has a notice period of 3 months.</p> <p>Performance Conditions The contract provides for a STI of up to 25% of his base salary inclusive of superannuation, which is payable in cash upon meeting pre-defined KPI's and financial revenue targets. 70% of the STI is awarded on meeting the financial targets and 30% on meeting the pre-defined KPI's.</p>
<p>Heinrich Venter Head of Convergent Solutions</p>	<p>Contract of Employment Heinrich is employed by Urbanise.com Limited as a permanent, full-time employee. Heinrich commenced with Urbanise in April 2017. His current base salary is \$270,000 per annum, inclusive of superannuation. He has a notice period of 3 months.</p> <p>Performance Conditions The contract provides for a STI of up to 25% of his base salary inclusive of superannuation, which is payable in cash upon meeting pre-defined KPI's and financial revenue targets. 70% of the STI is awarded on meeting the financial targets and 30% on meeting the pre-defined KPI's.</p>

Remuneration of key management personnel

Remuneration for the year ended 30 June 2018

	Salary and Fees	Short term incentives	Allowances	Long service leave & gratuity	Superannuation	Options and performance rights	Termination payment	Total
Director								
H.Arundel ⁽ⁱ⁾	291,833	-	-	-	17,468	33,250	119,684	462,235
R. Bate	15,000	-	-	-	-	-	-	15,000
G.Bugden ⁽ⁱⁱ⁾	9,000	-	-	-	-	-	-	9,000
D. Burlington ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	-	-
B. Churchill ^(iv)	12,155	-	-	-	-	-	-	12,155
R. Cumming ^(v)	209,980	-	20,826	2,820	13,452	-	108,874	355,952
P. Goosen ⁽ⁱⁱ⁾	9,000	-	-	-	-	-	-	9,000
A. Scotton ^(v)	70,0400	-	-	-	-	-	-	70,040
A. Strauss	10,000	-	-	-	-	-	-	10,000
Sub-total directors	627,008	-	20,826	2,820	30,920	33,250	228,558	943,382
Executives								
D. Bugden ^(vi)	287,175	22,000	13,609	12,772	9,806	1,796	-	347,158
S. Jain ^(vii)	221,633	19,300	-	-	20,046	1,718	-	262,697
V. Selzer ^(vi)	227,881	21,000	-	-	20,042	1,576	-	270,499
H. Venter ^(vi)	278,035	20,000	-	-	1,952	1,702	-	301,689
Sub-total executives	1,014,724	82,300	13,609	12,772	51,846	6,792	-	1,182,043
Totals	1,641,732	82,300	34,435	15,592	82,766	40,042	228,558	2,125,425

⁽ⁱ⁾ Appointed August 2017, resigned April 2018 - Options relate to a termination agreement agreed in principle post 30 June 2018 yet to be signed

⁽ⁱⁱ⁾ Appointed April 2018

⁽ⁱⁱⁱ⁾ Resigned January 2018. No fees payable with respect to the year ended 30 June 2018

^(iv) Resigned September 2017

^(v) Resigned April 2018

^(vi) Appointed to SLT with effect 1 July 2017

^(vii) Appointed August 2017

Remuneration for the year ended 30 June 2017

	Salary and Fees	Short-term incentives	Allowances	Long service leave & gratuity	Superannuation	Options and performance rights	Termination payment	Total
Director								
R. Bate	5,400	-	-	-	513	-	-	5,913
D. Burlington	-	-	-	-	-	-	-	-
B. Churchill	297,407	-	10,856	65,683	-	-	-	373,946
R. Cumming	298,349	-	16,069	15,629	-	11,234	-	341,281
A. Scotton ⁽ⁱ⁾	106,215	-	-	-	10,090	-	-	116,305
A. Tansey ⁽ⁱⁱ⁾	7,306	-	-	-	694	-	-	8,000
Sub-total directors	714,677	-	26,925	81,312	11,297	11,234	-	845,445
Executives								
D. Bugden ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	-	-
S. Jain ^(iv)	-	-	-	-	-	-	-	-
V. Selzer ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	-	-
H. Venter ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	-	-
Sub-total executives	-	-	-	-	-	-	-	-
Totals	714,677	-	26,925	81,312	11,297	11,234	-	845,445

⁽ⁱ⁾ Appointed 14 October 2016⁽ⁱⁱ⁾ Resigned 14 October 2016⁽ⁱⁱⁱ⁾ Executives appointed effective 1 July 2017^(iv) Appointed August 2017

Relationship between the remuneration policy and Group performance

The achievement of Group strategic and financial objectives is the key focus of the efforts of the Group. As indicated above, over the course of each financial year, the Board, through the Remuneration and Nomination Committee reviews the Group's Executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding Executive performance, while being closely aligned to the achievement of Group strategic objectives and the creation of shareholder value.

Total shareholder return is normally measured by the movement in share price from the start to the end of each financial year and dividends paid. No dividends have been declared in the past four financial years or for the current financial year. As the Group is in the growth phase of its life cycle, shareholder returns may not correlate with profits and/or losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Group performance rather than Group earnings. Future expectations are also subject to the business prospects and market risks.

Impact of Group's performance on shareholder wealth

The following table summarises Group performance and key performance indicators for the five years to 30 June 2018.

	30 June 18	30 June 17	30 June 16	30 June 15	30 June 14
Revenue and other income	6,530,280	5,051,125	9,843,669	10,169,276	5,180,664
Net profit/(loss) before tax	(27,560,041)	(33,155,812)	(11,800,141)	1,576,911	2,374,392
Net profit/(loss) after tax	(27,560,041)	(36,159,132)	(9,290,593)	719,985	1,529,064
Share price at start of year (dollars)	0.05	0.48	1.19	0.19	-
Share price at end of year (dollars)	0.03	0.05	0.48	1.19	0.19
Dividends paid (dollars)	-	-	-	-	-

Performance rights held by key management personnel

Directors and other key management personnel	Balance at 1 July 2017	Awarded	Forfeited / lapsed	Balance at 30 June 2018
Directors				
Henry Arundel	-	6,380,000	(6,380,000)	-
Russell Bate	-	750,000	-	750,000
David Burlington	-	750,000	(750,000)	-
Robert Cumming	-	1,355,000	(1,355,000)	-
Anthony Scotton	-	-	-	-
Executives				
David Bugden	-	1,212,500	-	1,212,500
Saurabh Jain	-	681,250	-	681,250
Vivienne Selzer	-	625,000	-	625,000
Heinrich Venter	-	675,000	-	675,000
Total	-	12,428,750	(8,485,000)	3,943,750

During the financial year there were 12,428,750 performance rights (2017: Nil) granted to officers of the Group as part of their remuneration and 8,485,000 forfeited due to resignation of Directors. See note 26 for further details.

Share options held by key management personnel

2018	Balance at 1 July 2017	Granted as compensation	Options converted	Options forfeited / lapsed	Balance at 30 June 2018	Balance vested at 30 June 2018	Vested and exercisable
Directors							
Russell Bate ⁽ⁱ⁾	2,000,000		-	(2,000,000)	-	-	-
David Burlington ⁽ⁱⁱ⁾	1,400,000		-	(1,400,000)	-	-	-
Benjamin Churchill	6,000,000		-	-	6,000,000	6,000,000	6,000,000
Robert Cumming ^(iv)	6,000,000		-	(6,000,000)	-	-	-
Anthony Scotton ⁽ⁱⁱⁱ⁾	-	550,000	-	(550,000)	-	-	-

2017	Balance at 1 July 2016	Granted as compensation	Options converted	Options forfeited / lapsed	Balance at 30 June 2017	Balance vested at 30 June 2017	Vested and exercisable
Directors							
Benjamin Churchill	6,000,000	-	-	-	6,000,000	6,000,000	6,000,000
Robert Cumming	9,000,000	-	-	(3,000,000)	6,000,000	5,300,000	5,300,000
Russell Bate	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
David Burlington	1,400,000	-	-	-	1,400,000	1,400,000	1,400,000

Refer to Note 27 for further details on Options.

⁽ⁱ⁾ 2,000,000 share options at an exercise price of \$0.20 lapsed on 9 August 2017.

⁽ⁱⁱ⁾ These options were forfeited due to resignation.

⁽ⁱⁱⁱ⁾ On 21 November 2017, a resolution was passed at the Annual General Meeting to issue 550,000 share options to Anthony Scotton with exercise prices of \$0.175 on 250,000 options and \$0.225 on the remaining 300,000 options. These options were forfeited due to resignation.

^(iv) 6,000,000 options lapsed on resignation on 3 April 2018 at an exercise price of \$0.20 (2017: 3,000,000 share options at an exercise price of \$0.20).

Shares held by key management personnel

2018	Balance at 1 July 2017	Exercise of compensation options	Acquired/ (disposed)	Balance at 30 June 2018
	Number	Number	Number	Number
Directors				
Russell Bate ⁽ⁱ⁾	929,969	-	464,985	1,394,954
Gary Bugden ⁽ⁱⁱ⁾	10,548,315	-	2,269,118	12,817,433
Pierre Goosen ⁽ⁱⁱⁱ⁾	-	-	-	-
Almero Strauss ^(iv)	-	-	1,610,000	1,610,000
Executives				
David Bugden	306,640	-	-	306,640
Saurabh Jain	-	-	-	-
Vivienne Selzer ^(iv)	60,000	-	105,000	165,000
Heinrich Venter ^(v)	-	-	3,749,998	3,749,998
2017				
Directors				
Anthony Scotton ^(vi)	-	-	5,100,000	5,100,000
Benjamin Churchill ^(vii)	1,360,800	-	223,334	1,584,134
Robert Cumming	10,369,453	-	-	10,369,453
Russell Bate ^(ix)	529,969	-	400,000	929,969
David Burlington	93,454	-	-	93,454

⁽ⁱ⁾ Acquired shares on 28 November 2017 as part of the rights issue

⁽ⁱⁱ⁾ Shares held on 3 April 2018 (date appointed)

⁽ⁱⁱⁱ⁾ 179,077,032 shares held by Argosy Capital Limited. Pierre is the Managing Director of Argosy

^(iv) Acquired shares on market on 26 June 2018

^(v) Acquired shares on market

^(vi) Acquired 50,000 shares with on market purchase in October 2017 and 55,000 shares on 28 November 2017 as part of the rights issue

^(vii) Acquired shares with on market purchases on 14 October 2016 (100,000 shares), 28 February 2017 (2,500,000 shares), 2 March 2017 (799,896 shares) and 3 March 2017 (1,700,104 shares).

^(viii) Acquired 223,334 shares with an on-market purchase on 26 September 2016.

^(ix) Acquired 400,000 shares with an on-market purchase on 2 March 2017.

Loans to key management personnel

There were no loans issued to or from key management personnel during financial year 2018 (2017: nil).

Other transactions with key management personnel

There were no other transactions with key management personnel during financial year 2018 (2017: nil) other than those already stated.

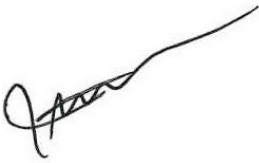
_____ End of the audited remuneration report _____

Rounding of amounts

In accordance with ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Almero Strauss

Chairman

Melbourne, 29 August 2018

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Urbanise.com Limited ('Urbanise' or 'the Company') is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a Group's website.

Accordingly, a copy of the Group's CGS is available on the Urbanise website at www.Urbanise.com under the Corporate Governance section.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF URBANISE.COM LIMITED



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As lead auditor for the audit of Urbanise.com Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a. *no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and*
- b. *no contraventions of any applicable code of professional conduct in relation to the audit.*

This declaration is in respect of Urbanise.com Limited and the entities it controlled during the financial year.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert Dalton'.

Robert Dalton
Partner
29 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue and other income			
Sales revenue	3	5,443,640	4,666,281
Other income	3	1,086,640	384,844
		6,530,280	5,051,125
Less: expenses			
Impairment of intangible assets	4	(15,468,333)	(12,200,298)
Impairment/impairment reversal of trade receivables	4	428,300	(7,070,900)
Impairment of tangible assets	4	(142,449)	-
Employee benefits and contractor cost	4	(10,381,449)	(8,196,008)
Depreciation and amortisation expenses	9, 10	(2,426,985)	(2,033,759)
IT Subscription and licence cost		(2,082,169)	(1,485,115)
Occupancy cost		(974,823)	(891,727)
Cost of implementation and materials		(713,976)	(2,936,738)
Professional fees		(738,821)	(1,337,379)
Travel cost		(595,405)	(555,051)
Advertising and Promotion cost		(86,562)	(76,356)
Finance costs	4	(1,231)	(2)
Foreign Exchange (loss)/gain		324,985	(532,586)
Other expenses		(1,231,403)	(891,018)
Profit/(loss) before tax		(27,560,041)	(33,155,812)
Income tax (expense)/benefit	5	-	(3,003,320)
Profit/(loss) for the year		(27,560,041)	(36,159,132)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(399,607)	(127,792)
Other comprehensive income for the year net of income tax		(399,607)	(127,792)
Total comprehensive income/(loss) for the year		(27,959,648)	(36,286,924)
Profit/(loss) for the year attributable to:		(27,560,041)	(36,159,132)
Owners of the parent		(27,560,041)	(36,159,132)
Total comprehensive income/(loss) attributable to:		(27,959,648)	(36,286,924)
Owners of the parent		(27,959,648)	(36,286,924)
Loss per share			
From continuing operations:			
Basic (cents per share)	25	(6.02)	(12.42)
Diluted (cents per share)	25	(6.02)	(12.42)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	30 Jun 2018 \$	30 Jun 2017 \$
Current assets			
Cash and cash equivalents	19	3,072,206	5,240,989
Trade and other receivables	6	2,131,323	2,695,831
Other assets	7	843,741	1,465,730
Current tax receivable	5	-	61,222
Inventory	8	-	1,038,547
Total current assets		6,047,270	10,502,319
Non-current assets			
Property, plant and equipment	9	150,214	466,963
Intangible assets	10	5,895,978	14,867,972
Goodwill	10	4,786,480	12,430,859
Trade and other receivables	6	13,854	475,020
Total non-current assets		10,846,526	28,240,814
Total assets		16,893,796	38,743,133
Current liabilities			
Trade and other payables	12	1,407,539	1,634,432
Provisions	13	684,444	1,270,329
Deferred revenue		1,260,007	1,013,594
Total current liabilities		3,351,990	3,918,355
Non-current liabilities			
Provisions	13	15,945	27,955
Total non-current liabilities		15,945	27,955
Total liabilities		3,367,935	3,946,310
Net assets		13,525,861	34,796,823
Equity			
Issued capital and contributed equity	15	93,821,852	87,173,208
Employee option reserve	16	1,981,763	1,941,721
Foreign currency translation reserve	16	(613,018)	(213,411)
Accumulated losses		(81,664,736)	(54,104,695)
Total equity		13,525,861	34,796,823

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued capital and contributed equity \$	Employee share option reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016		65,668,289	1,906,837	(85,619)	(17,966,628)	49,522,879
Profit/(loss) for the period		-	-	-	(36,159,132)	(36,159,132)
Foreign currency reserve		-	-	(127,792)	-	(127,792)
Total comprehensive income for the period		-	-	(127,792)	(36,159,132)	(36,286,924)
Transactions with owners in their capacity as owners						
Recognition of share-based payments		-	34,884	-	-	34,884
Private Placement	15	14,287,500	-	-	-	14,287,500
Cost of share issue	15	(60,391)	-	-	-	(60,391)
Rights issue	15	7,259,693	-	-	-	7,259,693
Tax effect of cost of share issue		18,117	-	-	-	18,117
Discontinuation of subsidiary		-	-	-	21,065	21,065
Transactions with owners in their capacity as owners for the period		21,504,919	34,884	-	21,065	21,560,868
Balance at 30 June 2017		87,173,208	1,941,721	(213,411)	(54,104,695)	34,796,823
Balance at 1 July 2017		87,173,208	1,941,721	(213,411)	(54,104,695)	34,796,823
Profit/(loss) for the period		-	-	-	(27,560,041)	(27,560,041)
Foreign currency reserve		-	-	(399,607)	-	(399,607)
Total comprehensive income for the period		-	-	(399,607)	(27,560,041)	(27,959,648)
Transactions with owners in their capacity as owners						
Recognition of share-based payments		-	40,042	-	-	40,042
Cost of share issue	15	(429,110)	-	-	-	(429,110)
Rights issue	15	7,077,754	-	-	-	7,077,754
Transactions with owners in their capacity as owners for the period		6,648,644	40,042	-	-	6,688,686
Balance at 30 June 2018		93,821,852	1,981,763	(613,018)	(81,664,736)	13,525,861

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		7,958,871	7,235,617
Payments to suppliers and employees		(16,579,089)	(16,144,547)
Interest received		11,592	23,035
Operating grants received		-	186,565
R&D tax refund		549,467	-
Tax (paid)/received	5	61,222	(61,222)
Interest paid		(1,231)	(2)
Net cash used in operating activities	19	(7,999,168)	(8,760,554)
Cash flows from investing activities			
Payments for property, plant & equipment	9	-	(223,390)
Receipts on sale of Devices business and Intellectual Property	3	350,000	-
Payments for business acquisition	14	-	(12,316,674)
Payments for intangible assets	10	(1,161,688)	(2,732,055)
Net cash used in investing activities		(811,688)	(15,272,119)
Cash flows from financing activities			
Proceeds from issue of shares	15	7,077,754	21,547,193
Payments for share issue costs	15	(429,067)	(60,391)
Net cash provided by financing activities		6,648,687	21,486,802
Net increase/(decrease) in cash and cash equivalents		(2,162,169)	(2,545,871)
Cash and cash equivalents at the beginning of the period	19	5,240,989	7,789,740
Effect of movement in exchange rates on cash balances		(6,614)	(2,880)
Cash and cash equivalents at the end of the period	19	3,072,206	5,240,989

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting policies

General information

Urbanise.com Limited is a listed public company incorporated in Australia and the ultimate parent entity. The addresses of its registered office and principal place of business are disclosed in the corporate information section. The principal activities of the Company and its subsidiaries are the development and commercialisation of intellectual property associated software licensing, devices and consulting services.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. The Group is a for-profit entity.

Compliance with IFRS

The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 22 August 2018.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values, as explained in the accounting policies below. All amounts are presented in Australian dollars, unless otherwise noted.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than the majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power; including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit and loss and is calculated as the difference between ⁽ⁱ⁾ the aggregate of the fair value of the consideration received and the fair value of any retained interest and ⁽ⁱⁱ⁾ the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Going concern

The financial statements have been prepared on the going concern basis which assumes the Group will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue.

For the financial year ended 30 June 2018, the Group produced a Net Loss After Tax (NLAT) of \$27,560,041. The NLAT includes significant non-cash adjustments for impairment of intangible assets of \$15,468,333, tangible assets of \$142,449 and a reversal of impairment of trade receivables of \$428,300. The Group has net assets of \$13,525,861 at reporting date inclusive of cash reserves of \$3,072,206 with no external debt or borrowings. In addition, current assets exceed current liabilities by \$2,695,280. The Group has prepared a cash flow forecast based on its current level of expenditure which indicates that the Group will require an improved cash flow position within the next 12 months to meet its forecast net outgoings. In order to improve the Group's cash flow position over this period the Group will need to generate additional net cash flow by increasing revenue, reducing expenditure and raising funds through other sources including debt or equity capital.

To address the potential future additional funding requirements of the Group, since 30 June 2018, the directors have undertaken the following initiatives:

- On 29 August 2018 Urbanise announced a fully underwritten non-renounceable 3.5 for 1 rights issue of 151,666,157 shares at an issue price of 2.7 cents per share, raising funds of \$4,094,986 before costs.
- Implemented expense reduction programs in Q4 FY18 that reduced cash outflow with full year impact in FY19;
- Sold the IOT devices business;
- Leadership team in place with focus on sales strategy to target short term and recurring revenue opportunities; and
- Monitor the cashflow impact of the cost reduction program and new sales.

Successfully executing the above strategies to improve cash flow are material to the Group's ability to continue as a going concern. The directors are confident that they will be able to improve the Group's cash flow by executing a combination of the above-mentioned strategies to ensure that the Group have sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the Group be unable to improve its cash flows with the initiatives detailed above then, the Group may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(b) Cash and cash equivalents

Cash comprises cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(c) Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled wholly within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

The Group makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

Share-based payments

The Group operates share-based payment employee share and option and performance rights schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

Short term incentive plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(d) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(e) Financial Instruments

Classification

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Investments are recognised and derecognised on trade date where the purchase order or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest

rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as financial liabilities measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(f) Foreign currency

Functional and presentation currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange differences arising on settlement or restatement are recognised in profit and loss for the year.

Foreign subsidiaries

Entities that have a functional currency different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual

exchange rates or average exchange rates for the period, where appropriate; and

- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(g) Research

Expenditure during the research phase of a project is recognised as an expense when incurred.

(h) Tangible and Intangible assets

The tangible and intangible assets are recognised at cost or fair value at the date of acquisition. The balances are reviewed annually and any balances representing probable future benefits that are no longer anticipated are impaired.

Leasehold improvements and property, plant and equipment

Leasehold improvements and property, plant and equipment are stated in the consolidated statement of financial position at their cost less any subsequent accumulated amortisation or depreciation and subsequent accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. If settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Intellectual Property

Intellectual property is initially recorded at cost.

Product Development Cost

Product development costs are capitalised only when each of the following specific criteria has been satisfied:

- Technical feasibility of completing development of the software for sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- Availability of adequate technical, financial and other resources to complete development of the software;
- Reliable measurement of expenditure attributable to the product during its development; and
- The intangible asset will generate probable future economic benefits.

Capitalised development costs have a finite life and are amortised on a systematic basis over the period beginning in the year following capitalisation and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is de recognised. Costs capitalised include direct payroll and payroll related costs of employees' time spent on the software development projects.

The estimated useful life and total economic benefit for each asset are reviewed at least annually. During the year the expected pattern of consumption of future economic benefits has been assessed and the carrying amount of the asset will be amortised based on a straight-line basis over the remaining useful life. Amortisation expense is included in 'depreciation and amortisation expenses' in the Statement of Comprehensive Income.

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value (or proportionate share of net assets value) of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Trademarks

Trademarks are recognised at cost and are not amortised. Trademarks are carried at cost less any impairment losses. Trademarks are considered to have an indefinite life and are carried at cost and therefore subject to an annual impairment test.

Customer relationships

Customer relationships are recognised at cost and amortised on a straight-line basis.

Depreciation and Amortisation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation and amortisation rates used for each class of assets are:

Class of assets	Useful life	Depreciation method
Hardware devices	1 - 3 years	Straight line
Other plant and equipment	1 - 5 years	Straight line
Software	1 – 5 years	Straight line
Leasehold improvements	The shorter of the useful life or the remaining term of the lease	Straight line
Intellectual Property	7 years	Straight line
Product Development Cost	7 years	Straight line
Trademarks	0 – 7 years	Straight line
Customer Relationships	7 years	Straight line
Goodwill	NA	Impairment tested

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Impairment of tangible and intangible assets

The Group determines whether intangibles are impaired at least on an annual basis by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group assessed the carrying amount of the Group's assets at 30 June 2018 for impairment indicators and determined that an impairment indicator was present due to the losses generated for the year ended 30 June 2018.

Useful lives of tangible and intangible assets

The Group reviews the useful lives, depreciation or amortisation method and estimated residual value of all tangible and intangible assets at the end of each reporting period.

(j) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than the result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group can control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments

and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

Urbanise.com Limited have implemented the tax consolidation legislation effective of 1 July 2014 and Mystrata Holdings Pty Limited and its 100% owned Australian resident subsidiary Mystrata Pty Limited joined the tax consolidated group effective 1 June 2015. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer in its own right.

(k) Inventories

Inventories of consumable supplies are valued at lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable after accounting for any trade discounts and rebates allowed.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably.

The following specific revenue criteria must be met before revenue is recognised:

Platform license income and activation fees

Revenue from sale of licenses is recognised on a straight-line basis over the period of the contract, from the date of contract until expiry, reflecting the period over which the services are provided.

Under Regional Operating Licence (ROL) fees, Urbanise grants the customer the additional right to resell use and access to the Platform to other third-party services providers within certain territories under exclusivity terms. ROL and platform activation appointment fees are recognised when the customer gains access to the Urbanise Platform. With respect to reseller agreements, revenue is recognised when an agreement is entered into.

Deferred revenue

Platform license income billed in advance is recognised over the life of the contract. Revenue not yet recognised is classified as deferred revenue in statement of financial position.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount at initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

- i. Where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Taxation Authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Taxation Authority is classified as operating cash flows.

(o) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter party renders the service.

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(p) Earnings/loss per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement to reflect the risks and benefits incidental to ownership.

Finance leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Where lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the noncontrolling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t) Rounding of amounts

The parent entity and the Group have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the consolidated financial statements have been rounded off to the nearest dollar.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key critical accounting estimates and judgments are:

Provision for impairment of trade receivables

Trade receivables are assessed on an individual balance based on historical patterns and communication with customers. Where uncertainty lies in relation to cash receipts, management has assessed that debts over 90 days resulting in an impairment of trade receivables is reasonable and prudent. The Group also reassessed whether there were recoverability issues with specific trade debtors. An impairment was booked to reflect doubtful debts at 30 June 2018 as a result. Refer to note 6.

Impairment of inventory

Inventory is assessed on an individual item group basis, based on historical sale patterns, age and condition of the inventory and sales pipeline. Where uncertainty lies in relation to selling inventory that is older than 1 year, management has assessed that it is reasonable and prudent to impair inventory. The Group also reassessed the inventory after the sale of the Devices business and intellectual property. An impairment was recorded at 30 June 2018 as a result.

Share-based payments

The calculation of the fair value of options and performance rights issued requires significant estimates to be made with regards to several variables such as volatility, dividend policy and the probability of options / performance rights reaching their vesting period. The Group measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model considering the terms and conditions upon which the instruments were granted and expected vesting period. The estimations made are subject to variability that may alter the overall fair value determined.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of current, long service leave and Gratuity at 30 June 2018:

- Future increases in wages and salaries;
- Future on cost rates;
- Experience of employee departures; and
- Experience of employee annual leave taken in relevant period.

Impairment

Under AASB136 *Impairment of Assets*, the Group undertake impairment testing of the relevant cash generating units (CGU's) as required to support the carrying value of intangible assets and Property, Plant and Equipment. Refer to note 10 for the key assumptions.

Capitalisation of development cost

Product development costs are capitalised only when each of the following specific criteria has been satisfied:

- technical feasibility of completing development of the software for sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- availability of adequate technical, financial and other resources to complete development of the software;
- reliable measurement of expenditure attributable to the product during its development; and
- high probability of the software being used by current or new customers.

Capitalised development costs have a finite life and are amortised on a systematic basis over the period beginning in the year following capitalisation and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Costs capitalised include direct payroll and payroll related costs of employees' time spent on the software development projects. During the year the Group capitalised \$977,070 (2017: \$2,529,428) of development cost.

Accounting Standards issued but not yet effective

The AASB has issued several new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments: Effective from 1 July 2018

This Standard will replace AASB 139: Financial Instruments: Recognition and Measurement. The new impairment requirements may result in an earlier recognition of impairment provisions through the application of the Expected Credit Loss (ECL) model compared to the incurred credit loss model under AASB 139 in respect of trade receivables.

Management is currently assessing the impact of the adoption of AASB 9.

AASB 15: Revenue from Contracts with Customers: Effective from 1 July 2018

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. AASB 15 requires the adoption of the following 5-step model:

- Step 1: Identify the contract(s) with the customer;
- Step 2: Identify the performance obligations under the contract(s);
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations under the contract(s); and
- Step 5: Recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Management has undertaken a project to identify the impact on transition, which included reviewing customer contracts.

As different services have different recognition points, the change in allocation of consideration between services in multiple service contracts may result in a change in timing of when the total contract consideration is recognised.

The project is not complete, but at this stage, the areas of potential impact include:

- Deferral of revenue over the life of the contract in respect of Regional Operator Licences (ROLs), whereby revenue was recognised upfront under AASB 18 Revenue; and
- Recognition of integration services in combination with ongoing licence fees if it is determined that additional work to customise software for a specific customer significantly modifies the existing licence.

The Group intends to adopt the modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application within retained earnings. Comparative amounts will not be restated for the year prior to adoption.

AASB 16: Leases: Effective from 1 July 2019

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2 Clarification and measurement of share-based payment transactions: Effective from 1 July 2018

This makes amendments to AASB 2 Share Based Payments, clarifying how to account for certain types of share-based payments. A full assessment is yet to be carried out.

IFRIC Interpretation 23 Uncertainty over Income Tax treatments: Effective from 1 July 2019

IFRIC 23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes when there is uncertainty over income tax treatments. A full assessment is yet to be carried out.

2. Segment information

AASB 8 'Operating Segments' requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess its performance.

On 23 October 2017, the Urbanise announced that the Group will focus on 3 regions for the next 3 years. These 3 regions are Asia Pacific, Middle East and South Africa. Country managers are responsible for the operations and performance in each of these regions. Management and board reporting are now focused on regional performance.

Management have concluded that a regional split in the segment reporting in the financial statements will better reflect how the Group is managed, personal performance is measured, and people managed.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical areas generating revenue from all products. The directors of the Group have chosen to organise the Group around differences in regions. The Group's reportable segments under AASB 8 focus on three key reportable segments:

- i. APAC – All products and services in Australia, New Zealand and Asia
- ii. E/ME – All products and services in Europe and Middle East
- iii. Africa – All products and services in Africa

The accounting policies of the reportable segments are the same as the Group's accounting policies. The 30 June 2017 results have been restated for comparability.

Revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Segment revenue		Segment result	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	\$	\$	\$	\$
Continuing operations				
APAC *	3,183,922	2,455,760	(10,844,151)	(8,145,622)
E/ME	2,295,755	2,042,605	1,189,591	(3,259,934)
Africa	504,774	148,698	(1,165,823)	(851,580)
Total of all segments	5,984,451	4,647,063	(10,820,383)	(12,257,136)
ROL licence fee reversal			(540,811)	-
Profit on sale of devices business and intellectual property			436,711	-
Other corporate revenue			130,566	2,221
Interest income			56,597	404,062
Impairment of intangible assets and property, plant and equipment			(15,610,782)	(12,200,298)
Impairment reversal/(impairment) of trade receivables			428,300	(7,070,900)
Depreciation and amortisation			(2,426,985)	(2,033,759)
Other			787,977	-
Income tax (expense)/benefit			-	(3,003,320)
Finance costs			(1,231)	(2)
Profit/(loss) after tax			(27,560,041)	(36,159,132)

* Only a minor portion of the revenue is generated outside of Australia

The assets and liabilities of the Group collaboratively support the various segment revenues generated by the Group.

The revenue reported above represents the revenue generated from external customers. Segment result represents the profit or loss incurred by each segment without the allocation of interest income, finance costs, income tax expense, amortisation, depreciation and impairment. General and administrative costs including employee costs for the senior leadership team have not been allocated between regions and sit within the APAC region along with the R&D claims which are applicable to Australia only. This is the measure reported to the chief operating decision maker for resource allocation and assessment of segment performance.

The total amount of external revenue derived from major customers where the revenue is greater than 10% is nil (2017: nil).

3. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

	Half-year ended	
	2018 \$	2017 \$
Sales revenue		
Platform license income and activation fees	4,760,535	3,820,699
Professional services	1,223,916	845,582
Regional operator licence ⁽ⁱ⁾	(540,811)	-
Total sales revenue	5,443,640	4,666,281
Other income		
Interest income	56,597	404,062
Profit on sale of device business and intellectual property ⁽ⁱⁱ⁾	436,711	-
Research and development income ⁽ⁱⁱⁱ⁾	462,765	(21,439)
Other	130,567	2,221
Total other income	1,086,640	384,844

⁽ⁱ⁾ Regional operator licence recognised in 2016 reversed due to contractual changes.

⁽ⁱⁱ⁾ Urbanise sold its Devices business effective 1 April 2018. The sales price was \$436,711 of which \$350,000 was paid in cash and \$86,711 payable in cash, 12 months from the effective date.

⁽ⁱⁱⁱ⁾ R&D tax incentive for the development of a long-range radio gateway and sensor hardware platform through experimental research in the Devices business. \$192,340 relate to a claim submitted in August 2018 relating to the 2018 financial year and \$270,425 submitted in February 2018 relating to the 2017 financial year.

4. Expenses

	2018 \$	2017 \$
Employee benefits expense		
Share-based payments	40,042	34,884
Contractors	360,364	296,306
Other employee benefits	9,981,043	7,864,818
Total employee benefits expense	10,381,449	8,196,008
Finance costs		
Interest expense	1,231	2
Total finance costs	1,231	2
Impairment		
Impairment of intangible assets ⁽ⁱ⁾	15,468,333	12,200,298
Impairment of tangible assets ⁽ⁱⁱ⁾	142,449	-
Impairment/(impairment reversal) of trade receivables ⁽ⁱⁱⁱ⁾	(428,300)	7,070,900
Impairment of inventory ^(iv)	957,321	379,628
Total significant	16,139,803	19,650,826

⁽ⁱ⁾ following an assessment of the carrying value of intangible assets, impairment was provided for. See note 10 for details.

⁽ⁱⁱ⁾ following an assessment of the carrying value of tangible assets, impairment was provided for. See note 9 for details.

⁽ⁱⁱⁱ⁾ following an assessment of the carrying value of trade receivables, impairment was provided for. See note 6 for details.

^(iv) following an assessment of the carrying value of inventory, an impairment was provided for. See note 8 for details.

5. Income taxes

	2018 \$	2017 \$
(a) Components of tax expense		
Current tax	-	-
Deferred tax	-	(1,345,332)
Derecognition of temporary differences	-	4,075,184
Under/(over) provision in prior years	-	273,468
Total tax (benefit) / expense	-	3,003,320
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Accounting profit/(loss) before income tax	(27,560,041)	(33,155,812)
Income tax expense/(benefit) calculated at 27.5% (2017: 30%)	(7,579,011)	(9,946,744)
Add tax effect of:		
Foreign entity tax losses not brought to account	781,144	512,629
Non-deductible items	3,816,850	1,116,532
Gain on IOT business	(119,821)	-
Accounting loss on sale of subsidiary	-	9,157
R&D eligible expenditure	(5,416)	6,432
Other non-deductible expenditure	24,948	26,106
Under/(over) provision in prior years	-	273,468
Non-recognition of deferred tax assets on current year losses	3,081,306	6,930,556
Derecognition of temporary differences	-	4,075,184
Income tax expense/(benefit) attributable to profit	-	3,003,320
(c) Current tax		
Current tax relates to the following:		
Opening balance	(61,222)	-
Under/(over) provision in prior years	-	-
Tax payments/proceeds	61,222	(61,222)
Current tax receivable	-	(61,222)
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Decrease/(increase) in deferred tax assets	-	3,795,695
(Decrease)/increase in deferred tax liabilities	-	(992,428)
	-	2,803,267
(f) Deferred income tax related to items charged or credited directly to equity		
Decrease/(increase) in deferred tax assets	-	(18,117)
	-	(18,117)
(g) Deferred tax asset acquired through business combination		
Decrease/(increase) in deferred tax assets	-	(181,936)
(h) Deferred tax assets not brought to account		
Foreign entity tax losses	1,654,298	359,423
Operating tax losses	11,073,738	6,930,556
Temporary differences - Australia	2,024,325	4,075,184
	14,752,361	11,365,163

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2018 and their recoverability based on the forecasted taxable profit over five years. Management deemed it appropriate not to recognise deferred tax assets and liabilities due to uncertainty on whether those assets and liabilities would be utilised against future profits generated in Australia and South Africa. Tax losses carried forward from 30 June 2017 along with tax losses incurred for the period ended 30 June 2018 have not been recognised. Temporary differences for assets and liabilities have also not been recognised. Management will assess this position at each reporting period.

Tax consolidation

Urbanise.com Limited and its 100% owned Australian resident subsidiaries Mystrata Holdings Pty Limited and Mystrata Pty Limited have implemented the tax consolidation legislation. The accounting policy for the implementation of the tax consolidation legislation is set out in Note 1.

6. Trade and other receivables

	2018 \$	2017 \$
Current		
Trade receivables	2,038,249	5,490,569
Provision for impairment	(128,068)	(3,362,173)
Other receivables	221,142	567,435
Total current trade and other receivables	2,131,323	2,695,831
Non-current		
Trade receivables non-current	149,056	2,678,232
Provision for impairment	(135,202)	(2,203,212)
Total non-current trade and other receivables	13,854	475,020
Age of receivables that are past due but not impaired		
31-60 days	159,510	109,370
61-90 days	256,142	111,222
90+ days	328,358	2,257
Total age of receivables that are past due but not impaired	744,010	222,849

Provision for impairment

Trade receivables for some of Urbanise customers were long-term receivables on payment schedules between 3 to 5 years. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. Interest is accrued and amortised over the period of the contract. All other trade receivables are non-interest bearing and are generally 30-day terms. An impairment loss is recognised when there is objective evidence such as non-payment of outstanding debts or contractual disputes that an individual trade receivable is impaired. The recoveries/impairment on trade receivables of \$428,300 (2017: \$7,070,900) have been disclosed separately in expenses within profit or loss. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the provision for impairment were:

	2018 \$	2017 \$
Current		
Opening balance at 1 July	3,362,173	91,632
Amounts written off	(2,848,522)	(78,521)
Charge/(reversal) for the year	(385,583)	3,349,062
Closing balance at 30 June	128,068	3,362,173
	2018 \$	2017 \$
Non-Current		
Opening balance at 1 July	2,203,212	-
Amounts written off	(2,041,343)	-
Charge/(reversal) for the year	(26,667)	2,203,212
Closing balance at 30 June	135,202	2,203,212

The Group does not hold any collateral in relation to any trade or other receivable.

7. Other assets

	2018 \$	2017 \$
Prepayments	151,770	306,023
Deposits	691,971	1,107,707
Loans to related parties ^①	-	52,000
Total other current assets	843,741	1,465,730

^① The Group had a loan receivable from an associate of \$52,000 in relation to funds for shares issued, written off in 2018.

8. Inventories

	2018 \$	2017 \$
Finished goods – at cost	-	1,449,527
Provision for inventory impairment	-	(410,980)
Total inventories	-	1,038,547

Write downs of inventories to net realisable value recognised as an expense during the year within other expenditure

996,830

379,628

9. Property, plant and equipment

	Hardware Devices \$	Other plant and equipment \$	Leasehold improvements \$	Total \$
Gross carrying amount				
Balance at 1 July 2016	178,129	440,919	241,659	860,707
Additions	18,657	185,471	19,262	223,390
Transferred to finished goods	(6,534)	-	-	(6,534)
Disposals	(190,252)	(304,570)	(26,498)	(521,320)
Effect of foreign currency exchange differences	-	(8,320)	-	(8,320)
Balance at 30 June 2017	-	313,500	234,423	547,923
Accumulated depreciation and impairment				
Balance at 1 July 2016	(48,270)	(164,195)	(57,509)	(269,974)
Depreciation expense	(46,705)	(142,959)	(53,196)	(242,860)
Depreciation on devices transferred to finished goods	1,059	-	-	1,059
Depreciation on disposal	93,916	307,854	26,498	428,268
Effect of foreign currency exchange differences	-	2,547	-	2,547
Balance at 30 June 2017	-	3,247	(84,207)	(80,960)
Net book value				
Balance at 30 June 2016	129,859	276,724	184,150	590,733
Balance at 30 June 2017	-	316,747	150,216	466,963
Gross carrying amount				
Balance at 1 July 2017	-	313,500	234,423	547,923
Disposals	-	(3,008)	(135,745)	(138,753)
Balance at 30 June 2018	-	310,492	98,678	409,170
Accumulated depreciation and impairment				
Balance at 1 July 2017	-	3,247	(84,207)	(80,960)
Depreciation expense	-	(105,242)	(31,870)	(137,112)
Impairment	-	(89,979)	(52,470)	(142,449)
Depreciation on disposal	-	-	101,565	101,565
Balance at 30 June 2018	-	(191,974)	(66,982)	(258,956)
Net book value				
Balance at 30 June 2017	-	316,747	150,216	466,963
Balance at 30 June 2018	-	118,518	31,696	150,214

10. Intangible assets

	Intellectual property \$	Development \$	Trademarks \$	Goodwill \$	Customer relationships \$	Software \$	Total \$
Gross carrying amount							
Balance at 1 July 2016	11,807,442	5,238,814	842,868	12,216,795	220,000	-	30,325,919
Additions	134,644	2,529,428	10,939	-	-	-	2,675,011
Additions through business combination	8,995,044	-	-	3,000,000	-	-	11,995,044
Effect of foreign currency exchange differences	62,000	-	-	-	-	-	62,000
Balance at 30 June 2017	20,999,130	7,768,242	853,807	15,216,795	220,000	-	45,057,974
Accumulated amortisation and impairment							
Balance at 1 July 2016	(2,363,841)	(1,194,137)	(29)	-	(23,833)	-	(3,581,840)
Amortisation expense	(1,279,486)	(489,361)	(52)	-	(22,000)	-	(1,790,899)
Business acquisition adjustment	-	-	-	(181,936)	-	-	(181,936)
Impairment loss recognised	(4,466,551)	(5,088,765)	(40,982)	(2,604,000)	-	-	(12,200,298)
Effect of foreign currency exchange differences	(4,170)	-	-	-	-	-	(4,170)
Balance at 30 June 2017	(8,114,048)	(6,772,263)	(41,063)	(2,785,936)	(45,833)	-	(17,759,143)
Net book value							
Balance at 30 June 2017	12,885,082	995,979	812,744	12,430,859	174,167	-	27,298,831
Gross carrying amount							
Balance at 1 July 2017	20,999,130	7,768,242	853,807	15,216,795	220,000	-	45,057,974
Additions	-	1,018,066	-	-	-	143,622	1,161,688
Transfer between classes	207,760	(207,760)	-	-	-	-	-
Disposals	(3,335,626)	(310,181)	(63,807)	-	-	-	(3,709,614)
Effect of foreign currency exchange differences	141,995	(42,152)	-	87,473	-	-	187,316
Balance at 30 June 2018	18,013,259	8,226,215	790,000	15,304,268	220,000	143,622	42,697,364
Accumulated amortisation and impairment							
Balance at 1 July 2017	(8,114,048)	(6,772,263)	(41,063)	(2,785,936)	(45,833)	-	(17,759,143)
Amortisation expense	(2,084,214)	(158,267)	-	-	(35,424)	(19,295)	(2,297,200)
Transfer between classes	(241,130)	263,874	(22,744)	-	-	-	-
Impairment loss recognised	(7,535,902)	(132,431)	-	(7,731,852)	-	(68,148)	(15,468,333)
Disposals	3,335,626	310,181	63,807	-	-	-	3,709,614
Effect of foreign currency exchange differences	(192,659)	(7,186)	-	-	-	-	(199,845)
Balance at 30 June 2018	(14,832,327)	(6,496,092)	-	(10,517,788)	(81,257)	(87,443)	(32,014,907)
Net book value							
Balance at 30 June 2018	3,180,932	1,730,123	790,000	4,786,480	138,743	56,179	10,682,457

11. Carrying value of non-financial assets

Under AASB136 Impairment of Assets, the Group undertook impairment testing of the relevant cash generating units (CGU's) as required. Impairment testing was performed at 30 June 2018 to support the carrying value of intangible assets and property, plant and equipment. Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by the board for the first year and management projections covering a further four years. Management's determination of cash flow projections are based on past performance and its expectation for the future performance.

Key assumptions and estimates

The following table describes key assumptions on which the Group has based the cash flow projections:

Key Assumptions	Basis of Estimation
Future cash flows	VIU calculations, inclusive of working capital movements and forecast capital expenditure based on financial projections approved by the Board for 1 year and a further 4 years forecasted by management, extended to utilise tax losses generated in the forecast period, then reverting to a terminal value.
Discount rate	Discount rate applied to cash flow projection assessed to reflect the time value of money and the perceived risk profile of the stage of the business.
Revenue growth	Forecast growth based on Board approved budget for year one and management projections for a further 4 years, and an assessed conversion of know revenue opportunities for the business. Years 6 onwards assume modest growth is achieved within existing business markets and geographies.
Expenses	Forecast growth based on Board approved budget for year one and management projections for a further 4 years, and an assessed cost growth for the business. Years 6 onwards assume modest growth within existing business markets and geographies.

The carrying value of Goodwill and other intangible assets relate to the Strata CGU only. The allocation of goodwill is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Cash generating unit with significant goodwill - Strata

For the Strata CGU, the present value of future cash flows has been calculated using a revenue growth rate of 24% for year one, 34% in year two, 24% in year three, 12% in year four, 13% in year five, a terminal growth rate of 3% and a pre-tax discount rate of 16.5% to determine value in use. The growth is largely driven by recent contract wins and the commencement of PICA migration. Management have assessed that there is an impairment to goodwill of \$4,731,852 (2017: \$2,604,000) to the Strata CGU based on the value in use calculations.

To illustrate the sensitivity to future cash flows, if key assumptions differed such that expected future cash flows decreased by 22% across the forecast period, without implementing mitigation plans, recoverable amount would be equal to the carrying value

Other cash generating units

Management have assessed that there is an impairment to Intellectual Property to the Wattkeeper/Intellegin CGU of \$7,535,902, development cost of \$132,431, software of \$68,148 and an impairment of goodwill of \$3,000,000 based on the value in use calculations. At 30 June 2018 no intangible assets remained in this CGU.

Management have assessed that the intangible assets in respect of the Facilities CGU remain fully impaired at 30 June 2018 based on the value in use calculations. In 2017, this CGU included the devices business. At 30 June 2018 no intangible assets remained in this CGU.

12. Trade and other payables

	2018 \$	2017 \$
Trade payables	247,065	542,449
Accrued expenses	732,366	832,021
Other payables	428,108	259,962
Total trade and other payables	1,407,539	1,634,432

13. Provisions

	2018 \$	2017 \$
Current		
Employee leave ⁽ⁱ⁾	579,459	813,013
Gratuity provision ⁽ⁱⁱ⁾	104,985	397,415
Other provisions ⁽ⁱⁱⁱ⁾	-	59,901
Total current provisions	684,444	1,270,329
Non-current		
Employee leave ⁽ⁱ⁾	15,945	27,955
Total non-current provisions	15,945	27,955

⁽ⁱ⁾ The provision for employee leave represents annual leave and long service leave entitlements accrued.

⁽ⁱⁱ⁾ Gratuity provision relates to Middle-East employees' end of service employment entitlements which are required under United Arab Emirates Labour Laws.

⁽ⁱⁱⁱ⁾ Other provisions relate to costs associated with the restructuring of the business communicated prior to 30 June 2017.

14. Business combinations

On 8 February 2017, Urbanise acquired the business assets and International Intellectual Property of the Wattkeeper and Intelligen Technology from Infotech (Pty) Ltd, Infotech RED (Pty) Ltd and Enermatics Energy (Pty) Ltd for a consideration of \$12 million. The technology was purchased as a complimentary product offering to the strata market for smart utilities solutions. No changes were made in to the provisional purchase price allocation. Refer to Note 11 for impairment assessment.

15. Issued capital and contributed equity

Issued and paid up capital

	2018 \$	2017 \$
530,831,549 (2017: 353,887,699) Fully paid ordinary shares	93,821,895	87,173,208

Ordinary shares

	2018 No	2018 \$	2017 No	2017 \$
Opening balance	353,887,699	87,173,208	258,122,399	65,668,289
Private placement	-	-	63,500,000	14,287,500
Rights issue ⁱ	176,943,850	7,077,754	32,265,300	7,259,693
Share issue costs	-	(429,067)	-	(60,391)
Tax effect of cost of share issue	-	-	-	18,117
Closing balance	530,831,549	93,821,895	353,887,699	87,173,208

ⁱ On 28 November 2017 Urbanise completed a fully underwritten rights issue of 176,943,850 shares at an issue price of 4 cents per share, raising funds of \$7,077,754. The rights issue closed with 103,715,686 shares issued to existing shareholders and 73,228,164 to the underwriters, Argosy Capital Limited and KTM Capital Limited. Argosy Capital Limited increased their shareholding to 33.74% following the rights issue.

Capital management

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from the 2017 financial year. The capital structure of the Group can, at various times, consist of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures including tax and general administrative outgoings.

16. Reserves

Foreign currency translation reserve

This reserve is used to record the exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars). They are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payment reserve

The share-based payment reserve is used to record the fair value of shares or options issued to employees and directors as part of their remuneration. The balance is transferred to share capital when options are exercised.

17. Commitment

The Group has entered into the following lease arrangements:

- i. A 5 year lease on the Urbanise's corporate headquarters in Melbourne, which terminates on 21 May 2020;
- ii. A 1 year lease on the Urbanise operational headquarters in Dubai, which terminates on 1 January 2019;
- iii. A 3 year lease for office space in Brisbane for Mystrata Pty Ltd headquarters, which terminates on 15 April 2019;
- iv. A 5 year lease for office space in Sydney, which terminates on 30 November 2022;
- v. A 1 year lease for office space for Mystrata Middle East FZ LLC in Dubai, which terminates on 4 January 2019; and
- vi. A 3 year lease for office space for Urbanise com (Pty) Ltd in Cape Town South Africa, which terminates on 30 June

The following obligations relating to the leases are not provided for in the financial report, and are payable:

	2018 \$	2017 \$
Not longer than 1 year	333,760	443,380
Longer than 1 year and not longer than 5 years	389,675	581,304
Balance at end of year	723,435	1,024,684

18. Subsidiaries

The parent entity of the Group is Urbanise.com Limited, which has the subsidiaries detailed in the following table.

	Country of incorporation	Ownership interest	
		2018 %	2017 %
Parent entity			
Urbanise.com Limited	Australia		
Subsidiaries			
Urbanise.com (SEA) Pte Limited	Singapore	100	100
Urbanise DWC LLC	United Arab Emirates	100	100
Mystrata Pty Limited	Australia	100	100
Mystrata Holdings Pty Limited	Australia	100	100
Mystrata Middle East FZ LLC	United Arab Emirates	100	100
Urbanise.com (Pty) Limited	South Africa	100	100

During FY2018, Urbanise.com (MENA) Pty Limited, a dormant company, was deregistered effective 27 December 2017.

During FY2017, Urbanise relinquished ownership of Urbanise.com (UK) Limited effective of 7 February 2017.

The Group has no significant restrictions on its ability to access or use the assets and settle the liabilities of the group.

19. Cash flows from operations reconciliation

Cash and cash equivalents

	2018 \$	2017 \$
Cash at bank	3,072,098	5,234,200
Cash on hand	108	6,789
Total cash and cash equivalents	3,072,206	5,240,989

Cash flow information

	2018 \$	2017 \$
Profit/(loss) for the year:	(27,560,041)	(36,159,132)
Non cash items:		
Depreciation & Amortisation	2,426,985	2,033,759
Share Based Payments	40,042	34,884
Unrealised foreign exchange	(378,127)	4,656
Movements in reserves	(399,603)	(127,792)
Profit/loss on disposal of fixed assets	(374,578)	97,619
Profit/loss on disposal of subsidiary	-	30,523
Impairment of intangible assets	15,468,333	12,200,298
Impairment of inventory	996,830	379,628
Impairment of PPE	142,449	
Impairment /(impairment reversal) of trade debtors	(428,300)	7,070,900
Other	(103,215)	
Items classified as investing activities:		
Foreign exchange on business acquisition	-	316,674
Changes in net assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,025,674	3,217,537
Decrease/(increase) in inventory	1,038,547	(824,612)
Decrease/(increase) in other assets	621,989	
Increase/(decrease) in trade and other payables	(226,893)	184,383
Increase/(decrease) in employee provisions	(597,895)	87,766
Increase/(decrease) in tax payable	62,222	2,942,099
Increase/(decrease) in deferred income	246,413	(249,744)
Net cash from operating activities	(7,999,168)	(8,760,554)

Non-cash financing and investing activities

There were no significant non-cash financing and investing transactions during financial year 30 June 2018 (2017: \$Nil).

20. Financial risk management

The Group is exposed to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks and mitigate through appropriate controls and risk limits.

The Group holds the following financial instruments:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	3,072,206	5,240,989
Trade and other receivables	2,131,323	3,170,851
	5,203,529	8,411,840
Financial liabilities		
Trade and other payables	1,407,539	1,634,432
	1,407,539	1,634,432

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Urbanise are not exposed to material price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. At the end of the year the Group was exposed to US Dollar (USD), Dirhams (AED), Great British Pound (GBP), Euro (EUR), South African Rands (ZAR) and Singapore dollars (SGD), currency fluctuations. Exchange rate exposures are managed within approved internal policy parameters. The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date were:

Foreign currency sensitivity analysis

	Liabilities		Assets	
	2018 \$	2017 \$	2018 \$	2017 \$
USD (Australian dollars equivalent)	(7,225)	(37,906)	867,796	1,923,179
GBP (Australian dollars equivalent)	(29,853)	(44,394)	78,740	18,821
EUR (Australian dollars equivalent)	-	-	118,072	116,677

Based on the financial instruments held at 30 June 2018 the Group's post tax profit and equity would have been \$125,706 lower (2017: \$837,772 higher/lower) with a 10% increase/decrease in the Australian dollar against other foreign currencies. The Group's sensitivity to foreign currency risk has elevated year on year due to the structuring of debt receivables with customers in foreign countries, in addition to increased international transactions as the Group is in a rapid growth phase.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates in the short-term.

Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group is not exposed to any significant interest rate risk as there are no external debts or borrowings.

Interest rate risk sensitivity analysis

At reporting date, there were no borrowings in relation to bank facilities. A 100-basis points change on the interest rates would result in an increase/decrease to the Group's net profit by approximately \$30,722 based on the cash held at the end of the year (2017: \$59,405).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major banks.

Trade and other receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms. The ageing analysis of trade and other receivables is provided in Note 6. As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms.

The Group does not have any material credit risk exposure for other receivables or other financial instruments.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

	< 1 Year	1 - 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$
2018 Payables	(1,407,539)	-	(1,407,539)	(1,407,539)
	(1,407,539)	-	(1,407,539)	(1,407,539)

	< 1 Year	1 - 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$
2017 Payables	(1,634,432)	-	(1,634,432)	(1,634,432)
	(1,634,432)	-	(1,634,432)	(1,634,432)

Fair value compared with carrying amounts

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

21. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

At 30 June 2018 and 30 June 2017, the Group did not have any assets or liabilities held at fair value.

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

Valuation techniques and inputs used in level 3 fair value measurements

There were no financial assets or liabilities measured at fair value at 30 June 2018.

22. Key management personnel compensation

Key management is defined as Directors and other key management personnel. The aggregate compensation made to key management personnel of the Group is set out below:

	2018 \$	2017 \$
Short-term employee benefits	1,758,467	741,602
Long-term employee benefits	15,592	81,312
Termination payments	228,558	-
Post-employment benefits - superannuation	82,766	11,297
Share-based payments	40,042	11,234
Total key management personnel compensation	2,125,425	845,445

23. Related party transactions

Transactions with key management personnel

- i. **Key management personnel compensation**
Details of key management personnel compensation is disclosed in Note 22.
- ii. **Loans to key management personnel**
There were no loans to key management personnel during the financial year.
- iii. **Other transactions with key management personnel of the Group**
There were no other transactions with key management personnel of the Group during the financial year or in the prior year.

Transactions between Urbanise.com Limited and its related parties

- i. **Related parties**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

24. Remuneration of auditors

	2018 \$	2017 \$
Auditor of the parent entity EY (2017: Pitcher Partners):		
Audit and review of the financial report	222,100	244,458
Non-audit services:		
- Assurance related	50,000	5,000
- Taxation compliance	12,500	23,100
Total remuneration of auditors	284,600	272,558

25. Loss per share

	2018 \$	2017 \$
Basic earnings loss per share ⁽ⁱ⁾	(6.02)	(12.42)
Diluted earnings loss per share ⁽ⁱⁱ⁾	(6.02)	(12.42)

(i) Basic and diluted loss per share

Net loss from continued and continuing operations	(27,560,041)	(36,159,132)
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	2018 Number	2017 Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	457,630,119	291,076,610

(ii) Diluted earnings/(loss) per share

Potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. Accordingly, the number used to calculate the diluted earnings/(loss) per share is the same as the number used to calculate the basic earnings/(loss) per share.

26. Share-based payments

Employee share option and Performance rights share plan

Share options and share performance rights are granted to executives and staff as part of their remuneration package under the Employee Share Option Plan. There are no cash settlement alternatives. The Employee Share Option Plan is designed to provide long-term incentives for senior managers and above (including Directors) to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and there is no individual contractual right to participate in the plan or to receive any guaranteed benefits.

The following share-based payment arrangements were in existence during the current and comparative reporting periods and are supported by the tables provided below:

Performance share rights

	2018 Number	2017 Number
Opening balance	-	-
Performance share rights issued	16,541,250	-
Performance share rights forfeited	(10,595,000)	-
Closing balance	5,946,250	-

On 21 November 2017, a resolution was passed at the Annual General Meeting to issue 16,541,250 performance share rights to Urbanise employees and Directors. There is no issue or exercise price on these performance rights.

Performance share rights

Financial Year 2018				
Grant Date		Expiry Date	Exercise Price	Balance at beginning of year
29/09/17	(i)a	30/6/18	\$0.00	-
21/11/17	(i)a	30/6/18	\$0.00	-
29/09/17	(i)b	30/6/19	\$0.00	-
21/11/17	(i)b	30/6/19	\$0.00	-
29/09/17	(ii)a	30/6/18	\$0.00	-
21/11/17	(ii)a	30/6/18	\$0.00	-
29/09/17	(ii)b	30/6/19	\$0.00	-
21/11/17	(ii)b	30/6/19	\$0.00	-
29/09/17	(ii)c	30/6/20	\$0.00	-
21/11/17	(ii)c	30/6/20	\$0.00	-
Total				-

(i) Vesting condition: Share price

- a. Tranche 1 – The Share Price of the Company's shares is to be greater than 20 cents per share (based upon the Volume Weighted Average Price of shares for the last 5 days of trading prior to 30 June 2018).
- b. Tranche 2 – The Share Price of the Company's shares is to be greater than 30 cents per share (based upon the Volume Weighted Average Price of shares for the last 5 days of trading prior to 30 June 2019).

In the event that the performance criteria applicable to tranche 1 performance rights are not met, the tranche may vest subject to achievement of the tranche 2 performance criteria.

(ii) Vesting condition: Revenue

- a. Tranche 1 – Reported revenue of greater than AUD12 million in the financial year ending 30 June 2018.
- b. Tranche 2 – Reported revenue of greater than AUD15 million in the financial year ending 30 June 2019.
- c. Tranche 3 – Reported revenue of greater than AUD17 million in the financial year ending 30 June 2020.

In the event that the performance criteria applicable to tranche 1 and tranche 2 Performance Rights are not achieved, the tranches may vest subject to achievement of the tranche 2 or tranche 3 performance criteria.

Financial Year 2018				
Granted during year	Exercised during year	Expired/ forfeited during year ⁽ⁱ⁾	Balance at end of year	Balance vested at end of year
1,684,375	-	(337,500)	1,346,875	-
1,867,500	-	(1,867,500)	-	-
1,684,375	-	(337,500)	1,346,875	-
1,867,500	-	(1,867,500)	-	-
1,312,486	-	(478,328)	834,158	-
1,833,332	-	(1,583,332)	250,000	-
1,312,504	-	(478,337)	834,167	-
1,833,334	-	(1,583,334)	250,000	-
1,312,510	-	(478,335)	834,175	-
1,833,334	-	(1,583,334)	250,000	-
16,541,250	-	(10,595,000)	5,946,250	-

Financial Year 2018			
Grant Date	Fair value of performance shares at grant date	No. of performance shares granted	Expiry date
29/9/2017	\$0.0078	1,684,375	30/06/2018
29/9/2017	\$0.0069	1,684,375	30/06/2019
29/9/2017	\$0.0078	1,312,486	30/06/2018
29/9/2017	\$0.0069	1,312,504	30/06/2019
29/9/2017	\$0.0078	1,312,510	30/06/2020
21/11/2017	\$0.0062	1,867,500	30/06/2018
21/11/2017	\$0.0056	1,867,500	30/06/2019
21/11/2017	\$0.0078	1,833,332	30/06/2020
21/11/2017	\$0.0078	1,833,334	30/06/2020
21/11/2017	\$0.0078	1,833,334	30/06/2020

Financial Year 2017			
Grant Date	Fair value of performance shares at grant date	No. of performance shares granted	Expiry date
-	-	-	-

Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions of \$40,042 (2017: \$34,884) was recorded within employee benefits expense in the statement of comprehensive income.

	2018		2017	
	No.	\$	No.	\$
Opening balance	22,488,905	1,941,721	34,716,405	1,906,837
Share based payments	-	40,042	-	34,884
Options granted over ordinary shares(i)	550,000	-	500,000	-
Options expired/ forfeited(ii)	(7,667,500)	-	(12,727,500)	-
Closing balance	15,371,405	1,981,763	22,488,905	1,941,721

i. On 21 November 2017, a resolution was passed at the Annual General Meeting to issue 550,000 share options to Anthony Scotton with exercise prices of \$0.175 (250,000 options) and \$0.225 (300,000 options).

ii. 6,900,000 share options expired during the year ended 30 June 2018 and 767,500 share options were forfeited during the year ended 30 June 2018 following employee departures.

Financial Year 2018				
Share price at grant date	Expected volatility of shares	Expected dividend yield	Risk-free interest rate	
\$0.05	80%	0%	1.95%	
\$0.05	80%	0%	1.95%	
\$0.05	80%	0%	1.95%	
\$0.05	80%	0%	1.95%	
\$0.05	80%	0%	1.95%	
\$0.04	80%	0%	1.77%	
\$0.04	80%	0%	1.77%	
\$0.04	80%	0%	1.77%	
\$0.04	80%	0%	1.77%	
\$0.04	80%	0%	1.77%	

Financial Year 2017				
Share price at grant date	Expected volatility of shares	Expected dividend yield	Risk-free interest rate	
-	-	-	-	

Financial Year 2018			
Grant Date	Expiry Date	Exercise Price	Balance at beginning of year
9/08/12	(ii)	\$0.20	2,000,000
5/10/12	(ii)	\$0.20	1,400,000
30/06/13	(ii)	\$0.20	3,000,000
11/12/13		\$0.20	2,000,000
11/12/13		\$0.24	2,000,000
11/12/13		\$0.30	2,000,000
6/06/14		\$0.20	3,000,000
4/08/14		\$0.20	400,000
7/8/14		\$0.19	5,426,405
10/12/14		\$0.65	100,000
22/04/15	(ii)	\$0.75	100,000
4/05/15	(ii)	\$0.75	100,000
1/05/15		\$1.00	200,000
15/12/15	(iii)	\$0.69	162,500
29/04/16		\$0.40	100,000
1/12/16	(iv)	\$0.47	500,000
21/11/17	(i)	\$0.18	-
21/11/17	(i)	\$0.23	-
Total			22,448,905

- i. On 21 November 2017, a resolution was passed at the Annual General Meeting to issue 550,000 share options to Anthony Scotton with exercise prices of \$0.175 on 250,000 options and \$0.225 on the remaining 300,000 options. These options were forfeited due to resignation.
- ii. 6,600,000 share options expired during the year 30 June 2018.
- iii. 17,500 share options were forfeited during the year ended 30 June 2018 following employee departures.
- iv. On 1 December 2016, 500,000 options were issued as part of the PICA arrangement with an expiry date of 12 months from grant date. The options lapsed on 23 November 2017.

Financial Year 2018				
Granted during year	Exercised during year	Expired/ forfeited during year	Balance at end of year	Balance vested at end of year
-	-	(2,000,000)	-	-
-	-	(1,400,000)	-	-
-	-	(3,000,000)	-	-
-	-	-	2,000,000	2,000,000
-	-	-	2,000,000	2,000,000
-	-	-	2,000,000	2,000,000
-	-	-	3,000,000	2,300,000
-	-	-	400,000	400,000
-	-	-	5,426,405	5,426,405
-	-	-	100,000	100,000
-	-	(100,000)	-	-
-	-	(100,000)	-	-
-	-	-	200,000	200,000
-	-	(17,500)	145,000	48,333
-	-	-	100,000	100,000
-	-	(500,000)	-	-
250,000	-	(250,000)	-	-
300,000	-	(300,000)	-	-
550,000	-	(7,667,500)	15,371,405	14,574,738

Financial Year 2017			
Grant Date	Expiry Date	Exercise Price	Balance at beginning of year
10/10/11	10/10/16	\$0.20	8,200,000
30/06/12	30/06/17	\$0.20	3,000,000
9/08/12	9/08/17	\$0.20	2,000,000
5/10/12	9/08/17	\$0.20	1,400,000
30/06/13	30/06/18	\$0.20	3,000,000
11/12/13	31/12/18	\$0.20	2,000,000
11/12/13	31/12/18	\$0.24	2,000,000
11/12/13	31/12/18	\$0.30	2,000,000
31/01/14	31/01/19	\$0.20	400,000
15/05/14	27/06/19	\$0.20	400,000
6/06/14	6/06/19	\$0.20	3,000,000
4/08/14	4/08/19	\$0.20	400,000
7/08/14	31/08/19	\$0.19	5,426,405
10/12/14	17/12/19	\$0.65	100,000
22/04/15	6/02/23	\$0.75	100,000
25/04/15	5/10/22	\$0.75	100,000
28/04/15	1/11/22	\$0.75	100,000
30/04/15	22/09/21	\$0.75	250,000
1/05/15	22/09/21	\$0.75	250,000
4/05/15	15/11/22	\$0.75	100,000
1/05/15	31/12/18	\$1.00	200,000
15/12/15	15/12/20	\$0.69	190,000
29/04/16	28/04/21	\$0.40	100,000
1/12/16	30/11/17 ^(vi)	\$0.47	-
Total			34,716,405

^v 12,727,500 share options at an exercise price of \$0.20 expired or were forfeited during financial year ended 30 June 2017.

^{vi} On 1 December 2016, 500,000 options were issued as part of the PICA arrangement with an expiry date of 12 months from grant date. Because of the options being out of the money and other terms and conditions, they have been attributed with a nil value.

Financial Year 2017				
Granted during year	Exercised during year	Expired/ forfeited during year ^(v)	Balance at end of year	Balance vested at end of year
-	-	(8,200,000)	-	-
-	-	(3,000,000)	-	-
-	-	-	2,000,000	2,000,000
-	-	-	1,400,000	1,400,000
-	-	-	3,000,000	3,000,000
-	-	-	2,000,000	2,000,000
-	-	-	2,000,000	2,000,000
-	-	-	2,000,000	2,000,000
-	-	(400,000)	-	-
-	-	(400,000)	-	-
-	-	-	3,000,000	2,300,000
-	-	-	400,000	400,000
-	-	-	5,426,405	5,426,405
-	-	-	100,000	100,000
-	-	-	100,000	65,000
-	-	(100,000)	-	-
-	-	(100,000)	-	-
-	-	(250,000)	-	-
-	-	(250,000)	-	-
-	-	-	100,000	65,000
-	-	-	200,000	200,000
-	-	(27,500)	162,500	54,167
-	-	-	100,000	33,333
500,000	-	-	500,000	500,000
500,000	-	(12,727,500)	22,488,905	21,543,905

Financial Year 2018								
Grant Date	Fair value of options at grant date	No. of options granted	Expiry date	Share price at grant date	Expected volatility of shares	Expected dividend yield	Risk-free interest rate	Exercise Price
21/11/2017	\$0.0058	300,000	23/11/2020	\$0.04	80%	0%	1.77%	\$0.175
21/11/2017	\$0.0073	250,000	23/11/2020	\$0.04	80%	0%	1.77%	\$0.225

Financial Year 2017								
Grant Date	Fair value of options at grant date	No. of options granted	Expiry date	Share price at grant date	Expected volatility of shares	Expected dividend yield	Risk-free interest rate	
1/12/2016	\$0.001	500,000	30/11/2017	\$0.18	50%	0%	1.81%	

No share options were exercised during the year ended 30 June 2018. The weighted average share price for share options exercised for the year ended 30 June 2017 was \$0.18. The weighted average remaining contractual life for share options outstanding at the end of the period was 2.8 years.

27. Subsequent events

Other than noted below and as already noted in the financial statements, there have been no significant subsequent events in the affairs of the Group at the date of this report.

On 29 August 2018 Urbanise announced a fully underwritten non-renounceable rights issue of 151,666,157 shares at an issue price of 2.7 cents per share, raising funds of \$4,094,986 before costs. The proceeds of this capital raising will be applied to complete the first phase of the Strata renewal, develop new features and applications for all products and fund the operations of the company for the next year.

28. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- Urbanise.com Limited;
- Mystrata Pty Limited; and
- Mystrata Holdings Pty Limited
- Urbanise.com (SEA) Pte. Limited

Urbanise.com Limited, Mystrata Pty Limited, Urbanise.com (SEA) Pte.Limited and Mystrata Holdings Pty Ltd entered into a Deed of Cross Guarantee on 26 June 2015. A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2018 is set out below.

Closed group consolidated statement of comprehensive income for the year ended 30 June 2018

	2018 \$	2017 \$
Revenue and other income		
Sales revenue	2,983,334	3,113,911
Other income	1,086,308	384,745
	4,069,642	3,498,656
Less: expenses		
Impairment of PPE/intangible assets	(11,179,597)	(12,200,298)
Impairment of trade receivables	382,116	(6,702,328)
Employee and contractor cost	(8,676,033)	(6,329,340)
Employee and contractor cost	(1,899,427)	(1,849,543)
IT subscription and licence cost	(1,942,877)	(1,179,050)
Occupancy cost	(934,310)	(620,521)
Cost of implementation and materials	(545,862)	(2,937,598)
Professional fees	(651,360)	(1,151,700)
Travel cost	(484,218)	(478,944)
Advertising and Promotion Expenses	(65,177)	(73,469)
Finance costs	-	(2)
Foreign Exchange (loss)/gain	(75,265)	(555,137)
Impairment provision	(2,730,231)	(3,550,311)
Other expenses	(3,595,212)	(1,265,479)
Profit/(loss) before tax	(28,327,811)	(35,395,064)
Income tax expense	-	(3,003,320)
Profit/(loss) for the year	(28,327,811)	(38,398,384)
Other comprehensive income for the year net of income tax	-	(31,891)
Total comprehensive income for the year	(28,327,811)	(38,430,275)

Closed group consolidated statement of financial position as at 30 June 2018

	2018 \$	2017 \$
Current assets		
Cash and cash equivalents	2,253,444	5,075,450
Trade and other receivables	1,272,193	2,474,531
Other assets	1,014,556	4,802,212
Current tax receivable	-	61,222
Inventory	-	966,858
Total current assets	4,540,193	13,380,273
Non-current assets		
Property, plant and equipment	127,363	417,571
Intangible assets	5,895,978	13,695,752
Goodwill	4,786,480	9,430,858
Other non-current assets	-	475,020
Total non-current assets	10,809,821	24,019,201
Total assets	15,350,014	37,399,474
Current liabilities		
Trade and other payables	1,226,223	1,455,100
Provisions	502,041	962,224
Other liabilities	2,411,835	2,020,374
Total current liabilities	4,140,099	4,437,698
Non-current liabilities		
Provisions	15,945	27,955
Total non-current liabilities	15,945	27,955
Total liabilities	4,156,044	4,465,653
Net assets	11,193,970	32,933,821
Equity		
Issued capital and contributed equity	95,226,934	88,534,115
Employee option reserve	1,981,765	1,941,721
Foreign currency translation reserve	(162,083)	(17,184)
Accumulated losses	(85,852,642)	(57,524,831)
Total equity	11,193,970	32,933,821

29. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except for investments in subsidiaries recognised at cost. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Refer to Note 28 for detailed disclosure.

Summarised statement of financial position as at 30 June 2018

	2018 \$	2017 \$
Assets		
Total current assets	4,448,595	11,071,636
Total non-current assets	5,867,961	24,604,645
Total assets	10,316,556	35,676,281
Liabilities		
Total current liabilities	1,582,623	2,278,150
Total non-current liabilities	10,716	5,037
Total liabilities	1,593,339	2,283,187
Net assets	8,723,217	33,393,094
Equity		
Issued capital and contributed equity	93,821,852	87,173,209
Employee option reserve	1,981,765	1,941,721
Accumulated losses	(87,080,400)	(55,721,836)
Total equity	8,723,217	33,393,094
	2018 \$	2017 \$
Profit/(loss) for the year	(31,358,563)	(38,294,245)
Other comprehensive income	-	-
Total comprehensive income	(31,358,563)	(38,294,245)

DIRECTORS' DECLARATION

In the Directors' opinion:

- i. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- ii. the attached financial statements and notes set out on pages 20 to 60 are in accordance with the Corporations Act 2001 and give a true and fair view of the financial position and performance of the Group for the financial year ended on 30 June 2018.

The Directors have been given the declarations required by section 295A of the **Corporations Act 2001**.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 29 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the **Corporations Act 2001**.

On behalf of the Directors,



Almero Strauss
Chairman
Melbourne, 29 August 2018



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Independent Auditor's Report to the Members of Urbanise.com Limited Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Urbanise.com Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of intangible assets (including goodwill) and property, plant and equipment

Why significant

As required by Australian Accounting Standards, the Group annually tests goodwill for impairment and tests other intangible assets and property, plant and equipment where indicators of impairment exist using a discounted cash flow ("DCF") model to estimate the recoverable value.

This impairment test was significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are impacted by future market or economic conditions and the achievement of forecast cash flow and growth assumptions.

The Group recorded impairment charges totalling \$15,468,333 and \$142,449 during the financial year relating to the intangible assets (including goodwill) and property, plant and equipment of the Wattkeeper/Intelligen, Facilities and Strata cash generating units ("CGUs") respectively.

The Group's disclosures are included in Note 11 of the consolidated financial report which specifically explain the key assumptions used; and sensitivity of changes in the key assumptions which could give rise to further impairment of the intangible assets (including goodwill) and property, plant and equipment in the future.

How our audit addressed the key audit matter

The audit procedures we performed included evaluating the Group's assessment of impairment indicators, and evaluation of the assumptions and methodologies used by the Group in the DCF model, in particular those relating to key assumptions set out in Note 11 of the consolidated financial report. We involved our valuation specialists to assist in these audit procedures.

In respect of the Group's DCF model and forecasts, we:

- Agreed the underlying cash flow projections to the Board approved forecasts;
- Tested the mathematical accuracy of the DCF model;
- Assessed key assumptions such as forecast revenue growth;
- Assessed the Group's current year actual results in comparison to prior year forecasts to assess forecast accuracy;
- Considered capital expenditure forecasts;
- Assessed discount rates through comparing the cost of capital for the Group with comparable businesses; and
- Considered earnings multiples against comparable companies as a valuation cross check.

We performed sensitivity analysis in respect of certain assumptions noted above, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for the intangible assets (including goodwill) to be impaired. We assessed the likelihood of these changes in assumptions arising.

We assessed the adequacy of the Group's disclosures of those assumptions in Note 11 to the consolidated financial report, to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of intangible assets (including goodwill) and property, plant and equipment.



2. Revenue recognition

Why significant

Revenue recognition was significant to our audit due to the inherent complexity of a Software as a Service ("SaaS") business, where the terms and conditions contained in individual customer agreements are important to determine the timing of revenue recognition.

Further, in the Group's industry a variety of customer contracts and revenue arrangements may be entered into that require careful consideration and judgement to determine when revenue recognition should be recognised.

There is a risk that revenue could be recorded in the incorrect year or misstated due to the judgmental nature of revenue recognition for contracts containing multiple services.

The Group's sources of revenue are disclosed in Note 3 of the consolidated financial report.

How our audit addressed the key audit matter

We assessed whether the Group's revenue recognition accounting policies comply with Australian Accounting Standards.

We assessed the effectiveness of relevant controls relating to revenue recognition.

We extracted data from the Group's accounting systems and used data analysis techniques, such as correlation analysis, to assess the recognition of revenue during the year.

We tested whether revenue had been correctly recorded during the period for a sample of revenue transactions, considering the terms of the underlying customer contract.

We also tested a sample of transactions, both prior to and subsequent to the balance sheet date, to assess whether revenue was recognised in the appropriate period.

We analysed credit notes issued to customers subsequent to year end and considered whether these related to sales recognised in the financial year ended 30 June 2018.

We also assessed the Group's adequacy of disclosures in regards to revenue in Note 3 of the financial report.



3. Sale of the devices IP

Why significant

The sale of the devices IP (the "Transaction"), disclosed in Note 3, was a significant transaction for the Group resulting in a gain on sale recognised totalling \$436,711. The Sale Agreement (the "Agreement") related to the transaction outlined reseller, revenue sharing and commission arrangements (the "Arrangements") with the buyer.

Accordingly, this was considered a key audit matter.

How our audit addressed the key audit matter

We agreed the cash consideration to the Agreement and bank statements and underlying carrying value of net assets before disposal to financial records.

We assessed the contractual terms and conditions of the Agreement, including the Arrangements under the Transaction, to determine whether the accounting for the sale was in compliance with Australian Accounting Standards.

We also assessed the Group's adequacy of disclosures in respect of the Transaction in Note 3 of the consolidated financial report.

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.-
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Urbanise.com Limited for the year ended 30 June 2018, complies with section 300A of the **Corporations Act 2001**.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the **Corporations Act 2001**. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert Dalton'.

Robert Dalton
Partner
Melbourne
29 August 2018

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Listing Rules not disclosed elsewhere in the full year report is set out below. The shareholder information set out below was applicable as at 31st August 2018.

1. Distribution of Shareholders

Distribution of ordinary shareholders and shareholdings is set out in the table below:

Range	Total holders	Units	% of Issued Capital
1-1,000	60	27,989	0.01
1,001-5,000	154	511,640	0.10
5,001-10,000	80	638,008	0.12
10,001-100,000	236	9,999,978	1.88
100,001-9,999,999,999	152	519,653,934	97.89
Total	682	530,831,549	100.00

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (i) on a show of hands, one vote only; and
- (ii) on a poll, one vote for every fully paid ordinary share held.

2. Largest shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Rank	Name	Shares Held	% of Issued Capital
1.	ARGOSY CAPITAL LIMITED	179,077,032	33.74%
2.	CITICORP NOMINEES PTY LIMITED	51,272,302	9.66%
3.	PIERCE ESIM PTE LIMITED	36,444,348	6.87%
4.	PIERCE CIM PTE LIMITED	32,040,580	6.04%
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	23,233,624	4.38%
6.	TOM HALE PTY LTD	14,014,025	2.64%
7.	NATIONAL NOMINEES LIMITED	13,864,804	2.61%
8.	MR ANTHONY SCOTTON <SCOTTON S/F A/C>	11,350,000	2.14%
9.	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	10,850,963	2.04%
10.	NITARAE NOMINEES PTY LTD <BUGDEN FAMILY ENTERPRISE A/C>	10,517,640	1.98%
11.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	10,216,860	1.92%
12.	ROBERT GORDON CUMMING	9,712,273	1.83%
13.	BNP PARIBAS NOMS PTY LTD <DRP>	8,862,089	1.67%
14.	CONSTRUCTION INDUSTRY SOLUTIONS ME FZE	8,434,150	1.59%
15.	IFM PTY LIMITED <IFM SUPER FUND A/C>	6,621,205	1.25%
16.	MR SAEED AHMED	6,500,000	1.22%
17.	NATIONAL NOMINEES LIMITED<DB A/C>	6,217,952	1.17%
18.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,818,603	1.10%
19.	DIXSON TRUST PTY LIMITED	5,309,230	1.00%
20.	CARRIER INTERNATIONAL PTY LIMITED <SUPER FUND A/C>	3,641,593	0.69%
Top 20 Holdings of ordinarys fully paid shares		453,999,273	85.53%
Total of Securities		530,831,549	

3. Option holders

The Company has 15,371,405 options on issue with 17 holders, 5,946,250 performance shares with 28 holders and no listed options or performance shares

4. Register of substantial shareholders

The names of substantial shareholders in the Company and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates shown, are as follows:

Rank	Name	Shares Held	% of Issued Capital
1.	ARGOSY CAPITAL LIMITED	179,077,032	33.74
2.	CITICORP NOMINEES PTY LIMITED	51,272,302	9.66
3.	PIERCE ESIM PTE LIMITED	36,444,348	6.87
4.	PIERCE CIM PTE LIMITED	32,040,580	6.04

5. Restricted Securities

341 shareholders held a less than a marketable parcel, based on the closing market price of \$0.03 on 31 August 2018.

The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends are as below:

- 31,440,693 ordinary shares, escrow period ending 30 September 2018.

CORPORATE INFORMATION

Company Directors

Russell Bate
Gary Bugden
Pierre Goosen
Almero Strauss

Company Secretary

Kim Clark
Boardroom Pty Limited
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Brisbane QLD 4000

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Sydney NSW 2060

Postal address

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385 - 389 Little Lonsdale Street
Melbourne VIC 3000

ASX Code

UBN

Share Registry

Boardroom Smart Business Solutions
Level 12, 225 George St
Sydney NSW 2000

Solicitors

Kardosscanlon Pty Limited
Level 5, 151 Castlereagh Street
Sydney NSW 2000

Bankers

HSBC Australia Bank Limited
Ground Level, 271 Collins Street
Melbourne VIC 3000

Auditors

Ernst & Young
Level 23, 8 Exhibition Street
Melbourne VIC 3000

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